



ANNUAL STATEMENT

For the Year Ended December 31, 2016
of the Condition and Affairs of the

Wellmark, Inc.

NAIC Group Code.....0770, 0770 (Current Period) (Prior Period)	NAIC Company Code..... 88848	Employer's ID Number..... 42-0318333
Organized under the Laws of IA	State of Domicile or Port of Entry IA	Country of Domicile US
Licensed as Business Type.....Life, Accident & Health	Is HMO Federally Qualified? Yes [] No []	
Incorporated/Organized..... September 19, 1939	Commenced Business..... October 1, 1939	
Statutory Home Office	1331 Grand Avenue..... Des Moines IA US 50309-2901 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	1331 Grand Avenue..... Des Moines IA US 50309-2901 (Street and Number) (City or Town, State, Country and Zip Code)	515-376-4500 (Area Code) (Telephone Number)
Mail Address	1331 Grand Avenue..... Des Moines IA US 50309-2901 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	1331 Grand Avenue..... Des Moines IA US 50309-2901 (Street and Number) (City or Town, State, Country and Zip Code)	515-376-4500 (Area Code) (Telephone Number)
Internet Web Site Address	www.wellmark.com	
Statutory Statement Contact	Christa Daneen Kuennen (Name) kuennencd@wellmark.com (E-Mail Address)	515-376-4144 (Area Code) (Telephone Number) (Extension) 515-376-9054 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. John Douglas Forsyth	Chairman & CEO	2. Francis (Frank) James Stork	Secretary
3. David Seth Brown	EVP, CFO & Treasurer	4.	

OTHER

Marcelle Jo Chickering	Michael James Crowley
G. Paul Eddy	Timothy Robert Gutshall M.D.
Cory Randall Harris	Laura Jean Jackson
Vicki Lynn Signor	

DIRECTORS OR TRUSTEES

Thomas Matthew Cink MD	Melanie Creagan Dreher PhD, RN	John Douglas Forsyth-Chairman	Daryl Keith Henze
William Curt Hunter	Paul Edward Larson	Angeline Marie Lavin	Terrence Joseph Mulligan
David George Neil	Timothy John Theriault	Therese Michele Vaughan	

State of..... Iowa
County of..... Polk

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) John Douglas Forsyth	(Signature) Francis (Frank) James Stork	(Signature) David Seth Brown
1. (Printed Name) Chairman & CEO	2. (Printed Name) Secretary	3. (Printed Name) EVP, CFO & Treasurer
(Title)	(Title)	(Title)
Subscribed and sworn to before me This _____ day of _____ 2017	a. Is this an original filing? b. If no	Yes [X] No [] 1. State the amendment number 2. Date filed 3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	761,733,110		761,733,110	734,115,514
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	993,314		993,314	994,547
2.2 Common stocks.....	739,797,750	22,467,230	717,330,520	688,862,685
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	170,836,645		170,836,645	178,228,749
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....63,358,004, Schedule E-Part 1), cash equivalents (\$.....6,416,361, Schedule E-Part 2) and short-term investments (\$.....33,516,989, Schedule DA).....	103,291,354		103,291,354	113,581,442
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	17,657,871	6,386,970	11,270,901	
9. Receivables for securities.....	145,614		145,614	2,423,858
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,794,455,658	28,854,200	1,765,601,458	1,718,206,795
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	6,506,389		6,506,389	6,267,619
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	84,236,186	1,540,330	82,695,856	84,596,586
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums (\$.....1,017,069) and contracts subject to redetermination (\$.....20,414,000).....	21,431,069		21,431,069	11,342,180
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	9,766,862	1,670,862	8,096,000	12,150,000
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....	93,838,976	2,928,302	90,910,674	72,354,305
18.1 Current federal and foreign income tax recoverable and interest thereon.....	5,386,150		5,386,150	7,884,003
18.2 Net deferred tax asset.....	64,222,000	9,030,000	55,192,000	47,171,000
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	13,957,876	5,540,136	8,417,740	8,808,857
21. Furniture and equipment, including health care delivery assets (\$.....0).....	19,844,924	19,844,924	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	40,198,191	17,300,399	22,897,792	10,735,094
24. Health care (\$.....51,110,300) and other amounts receivable.....	77,727,156	16,024,046	61,703,110	63,777,795
25. Aggregate write-ins for other-than-invested assets.....	80,059,419	79,416,990	642,429	633,184
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	2,311,630,856	182,150,189	2,129,480,667	2,043,927,418
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTAL (Lines 26 and 27).....	2,311,630,856	182,150,189	2,129,480,667	2,043,927,418

DETAILS OF WRITE-INS

1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid Premium Tax Assets.....	58,968,606	58,968,606	0	
2502. Other Prepaid Expenses.....	18,341,300	18,341,300	0	
2503. Miscellaneous Assets.....	2,749,513	2,107,084	642,429	633,184
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	80,059,419	79,416,990	642,429	633,184

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....1,411,000 reinsurance ceded).....	365,402,744		365,402,744	277,473,992
2. Accrued medical incentive pool and bonus amounts.....	25,212,000		25,212,000	9,620,000
3. Unpaid claims adjustment expenses.....	4,042,180		4,042,180	4,103,380
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....	53,875,630		53,875,630	55,342,806
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserves.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	108,287,103		108,287,103	122,396,292
9. General expenses due or accrued.....	161,320,359		161,320,359	175,149,271
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....	5,776,386		5,776,386	5,982,869
13. Remittances and items not allocated.....	23,857,601		23,857,601	14,754,765
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	2,810,106		2,810,106	1,499,329
16. Derivatives.....			0	
17. Payable for securities.....	459,338		459,338	3,834,399
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	27,446,840		27,446,840	38,210,715
23. Aggregate write-ins for other liabilities (including \$....3,233,514 current).....	20,715,694	0	20,715,694	13,577,597
24. Total liabilities (Lines 1 to 23).....	799,205,981	0	799,205,981	721,945,415
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	36,100,000
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX		
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other-than-special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	1,330,274,686	1,285,882,003
32. Less treasury stock at cost:				
32.1 ....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 ....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	1,330,274,686	1,321,982,003
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	2,129,480,667	2,043,927,418

DETAILS OF WRITE-INS

2301. Other Liabilities.....	6,492,830		6,492,830	6,982,758
2302. Liability for Postretirement Benefits.....	3,842,934		3,842,934	5,188,572
2303. Liability for Pension Benefit.....	8,990,028		8,990,028	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	1,389,902	0	1,389,902	1,406,267
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above).....	20,715,694	0	20,715,694	13,577,597
2501. Special Surplus for Health Insurer Fee.....	XXX	XXX		36,100,000
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	36,100,000
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	15,216,983	15,535,137
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	2,654,800,651	2,542,744,353
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	1,467,176	(6,908,110)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....		
5. Risk revenue.....	XXX.....		
6. Aggregate write-ins for other health care related revenues.....	XXX.....	0	0
7. Aggregate write-ins for other non-health revenues.....	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	2,656,267,827	2,535,836,243
Hospital and Medical:			
9. Hospital/medical benefits.....		1,600,656,545	1,549,909,804
10. Other professional services.....		221,875,870	200,376,403
11. Outside referrals.....		68,326,261	51,663,660
12. Emergency room and out-of-area.....		86,091,089	84,441,865
13. Prescription drugs.....		315,322,303	336,937,245
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		23,395,634	6,730,212
16. Subtotal (Lines 9 to 15).....	0	2,315,667,702	2,230,059,189
Less:			
17. Net reinsurance recoveries.....		9,817,589	17,946,798
18. Total hospital and medical (Lines 16 minus 17).....	0	2,305,850,113	2,212,112,391
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....18,856,848 cost containment expenses.....		92,200,746	80,305,713
21. General administrative expenses.....		311,879,974	287,600,076
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....	0	2,709,930,833	2,580,018,180
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	(53,663,006)	(44,181,937)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		40,011,468	37,314,502
26. Net realized capital gains or (losses) less capital gains tax of \$.....4,527,000.....		7,633,829	13,425,925
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	47,645,297	50,740,427
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....482,217) (amount charged off \$.....658,526)].....		(176,309)	(3,374)
29. Aggregate write-ins for other income or expenses.....	0	(316,286)	(313,121)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	(6,510,304)	6,241,995
31. Federal and foreign income taxes incurred.....	XXX.....	19,997,000	8,074,000
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	(26,507,304)	(1,832,005)

DETAILS OF WRITE-INS			
0601.	XXX.....		
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	XXX.....	0	0
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Other Expense.....		(316,286)	(313,121)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....	0	(316,286)	(313,121)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT		1	2
		Current Year	Prior Year
33.	Capital and surplus prior reporting period.....	1,321,982,003	1,359,749,051
34.	Net income or (loss) from Line 32.....	(26,507,304)	(1,832,005)
35.	Change in valuation basis of aggregate policy and claim reserves.....		
36.	Change in net unrealized capital gains and (losses) less capital gains tax of \$.....776,000.....	17,508,316	(6,043,496)
37.	Change in net unrealized foreign exchange capital gain or (loss).....	(1,488,196)	(3,846,638)
38.	Change in net deferred income tax.....	1,638,000	1,652,000
39.	Change in nonadmitted assets.....	26,716,119	(15,812,852)
40.	Change in unauthorized and certified reinsurance.....		
41.	Change in treasury stock.....		
42.	Change in surplus notes.....		
43.	Cumulative effect of changes in accounting principles.....		
44.	Capital changes:		
44.1	Paid in.....		
44.2	Transferred from surplus (Stock Dividend).....		
44.3	Transferred to surplus.....		
45.	Surplus adjustments:		
45.1	Paid in.....		
45.2	Transferred to capital (Stock Dividend).....		
45.3	Transferred from capital.....		
46.	Dividends to stockholders.....		
47.	Aggregate write-ins for gains or (losses) in surplus.....	(9,574,252)	(11,884,057)
48.	Net change in capital and surplus (Lines 34 to 47).....	8,292,683	(37,767,048)
49.	Capital and surplus end of reporting period (Line 33 plus 48).....	1,330,274,686	1,321,982,003

DETAILS OF WRITE-INS

4701.	Change in Pension and Other Postemployment Benefit Obligation.....	(9,574,252)	(11,884,057)
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799.	Totals (Lines 4701 through 4703 plus 4798) (Line 47 above).....	(9,574,252)	(11,884,057)

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	2,632,808,251	2,535,553,970
2. Net investment income.....	46,851,520	44,383,761
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	2,679,659,771	2,579,937,731
5. Benefit and loss related payments.....	2,207,740,041	2,211,232,390
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	450,711,973	349,541,352
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....4,527,000 tax on capital gains (losses).....	22,026,147	9,287,798
10. Total (Lines 5 through 9).....	2,680,478,161	2,570,061,540
11. Net cash from operations (Line 4 minus Line 10).....	(818,390)	9,876,191
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	190,549,180	261,498,167
12.2 Stocks.....	103,080,379	197,136,390
12.3 Mortgage loans.....		
12.4 Real estate.....		1,647,585
12.5 Other invested assets.....	415,863	2,051,380
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	5,284	388,225
12.7 Miscellaneous proceeds.....	2,278,244	533,011
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	296,328,950	463,254,758
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	217,280,395	217,054,666
13.2 Stocks.....	106,517,682	177,061,115
13.3 Mortgage loans.....		
13.4 Real estate.....	(244,295)	656,977
13.5 Other invested assets.....	12,714,550	992,383
13.6 Miscellaneous applications.....	3,504,524	2,416,889
13.7 Total investments acquired (Lines 13.1 to 13.6).....	339,772,856	398,182,030
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(43,443,906)	65,072,728
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	33,972,208	(18,496,648)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	33,972,208	(18,496,648)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(10,290,088)	56,452,271
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	113,581,442	57,129,171
19.2 End of year (Line 18 plus Line 19.1).....	103,291,354	113,581,442

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plans	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income.....	2,654,800,651	1,788,264,545	376,109,689	26,399,125	796,757	237,127,921			226,102,614	
2. Change in unearned premium reserves and reserve for rate credit.....	1,467,176	1,137,194	437,956			(1,450,027)			1,342,053	
3. Fee-for-service (net of \$.....0 medical expenses).....	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6).....	2,656,267,827	1,789,401,739	376,547,645	26,399,125	796,757	235,677,894	0	0	227,444,667	0
8. Hospital/medical benefits.....	1,600,656,545	1,120,524,120	219,680,391			151,681,929			108,770,105	XXX
9. Other professional services.....	221,875,870	140,623,545	27,569,452	20,334,896	661,766	19,035,780			13,650,431	XXX
10. Outside referrals.....	68,326,261	47,831,138	9,377,364			6,474,755			4,643,004	XXX
11. Emergency room and out-of-area.....	86,091,089	60,267,234	11,815,479			8,158,191			5,850,185	XXX
12. Prescription drugs.....	315,322,303	191,845,632	37,611,617			25,969,558			59,895,496	XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	23,395,634	23,395,634								XXX
15. Subtotal (Lines 8 to 14).....	2,315,667,702	1,584,487,303	306,054,303	20,334,896	661,766	211,320,213	0	0	192,809,221	XXX
16. Net reinsurance recoveries.....	9,817,589	9,817,589								XXX
17. Total hospital and medical (Lines 15 minus 16).....	2,305,850,113	1,574,669,714	306,054,303	20,334,896	661,766	211,320,213	0	0	192,809,221	XXX
18. Non-health claims (net).....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....18,856,848 cost containment expenses.....	92,200,746	26,972,181	12,740,690	1,329,367	96,255	14,558,937	(7,030)		36,510,346	
20. General administrative expenses.....	311,879,974	222,738,374	58,630,680	3,218,537	42,659	4,835,861			21,309,051	1,104,812
21. Increase in reserves for accident and health contracts.....	0									XXX
22. Increase in reserve for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22).....	2,709,930,833	1,824,380,269	377,425,673	24,882,800	800,680	230,715,011	(7,030)	0	250,628,618	1,104,812
24. Net underwriting gain or (loss) (Line 7 minus Line 23).....	(53,663,006)	(34,978,530)	(878,028)	1,516,325	(3,923)	4,962,883	7,030	0	(23,183,951)	(1,104,812)

DETAILS OF WRITE-INS

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical).....	1,788,733,574		469,029	1,788,264,545
2.	Medicare supplement.....	376,109,689			376,109,689
3.	Dental only.....	26,399,125			26,399,125
4.	Vision only.....	796,757			796,757
5.	Federal employees health benefits plan.....	237,127,921			237,127,921
6.	Title XVIII - Medicare.....				0
7.	Title XIX - Medicaid.....				0
8.	Other health.....	226,102,614			226,102,614
9.	Health subtotal (Lines 1 through 8).....	2,655,269,680	0	469,029	2,654,800,651
10.	Life.....				0
11.	Property/casualty.....				0
12.	Totals (Lines 9 to 11).....	2,655,269,680	0	469,029	2,654,800,651

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	2,213,556,134	1,506,246,472	294,284,172	20,230,794	656,424	199,053,536			193,084,736	
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	13,619,727	13,619,727								
1.4 Net.....	2,199,936,407	1,492,626,745	294,284,172	20,230,794	656,424	199,053,536	0	0	193,084,736	0
2. Paid medical incentive pools and bonuses.....	7,803,634	7,803,634								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	366,813,744	254,062,977	63,246,145	1,172,626	21,841	29,390,174			18,919,981	
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	1,411,000	1,411,000								
3.4 Net.....	365,402,744	252,651,977	63,246,145	1,172,626	21,841	29,390,174	0	0	18,919,981	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	25,212,000	25,212,000								
6. Net healthcare receivables (a).....	7,793,818	5,477,799	(167,098)			(94,403)			2,577,520	
7. Amounts recoverable from reinsurers December 31, current year.....	9,766,862	9,766,862								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	280,303,992	193,739,981	51,643,112	1,068,524	16,499	17,217,900			16,617,976	
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	2,830,000	2,830,000								
8.4 Net.....	277,473,992	190,909,981	51,643,112	1,068,524	16,499	17,217,900	0	0	16,617,976	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	9,620,000	9,620,000								
11. Amounts recoverable from reinsurers December 31, prior year.....	12,150,000	12,150,000								
12. Incurred benefits:										
12.1 Direct.....	2,292,272,068	1,561,091,669	306,054,303	20,334,896	661,766	211,320,213	0	0	192,809,221	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	9,817,589	9,817,589	0	0	0	0	0	0	0	0
12.4 Net.....	2,282,454,479	1,551,274,080	306,054,303	20,334,896	661,766	211,320,213	0	0	192,809,221	0
13. Incurred medical incentive pools and bonuses.....	23,395,634	23,395,634	0	0	0	0	0	0	0	0

(a) Excludes \$.0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	204,289,197	146,048,912	31,802,149	234,525	4,368	16,929,118			9,270,125	
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	282,200	282,200								
1.4 Net.....	204,006,997	145,766,712	31,802,149	234,525	4,368	16,929,118	0	0	9,270,125	0
2. Incurred but unreported:										
2.1 Direct.....	162,524,547	108,014,065	31,443,996	938,101	17,473	12,461,056			9,649,856	
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	1,128,800	1,128,800								
2.4 Net.....	161,395,747	106,885,265	31,443,996	938,101	17,473	12,461,056	0	0	9,649,856	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	366,813,744	254,062,977	63,246,145	1,172,626	21,841	29,390,174	0	0	18,919,981	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	1,411,000	1,411,000	0	0	0	0	0	0	0	0
4.4 Net.....	365,402,744	252,651,977	63,246,145	1,172,626	21,841	29,390,174	0	0	18,919,981	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	161,057,212	1,333,952,671	1,348,165	251,303,812	162,405,377	190,909,981
2. Medicare supplement.....	46,125,449	248,158,723	92,499	63,153,646	46,217,948	51,643,112
3. Dental only.....	1,013,522	19,217,272	3,585	1,169,041	1,017,107	1,068,524
4. Vision only.....	16,432	639,992	67	21,774	16,499	16,499
5. Federal employees health benefits plan.....	16,311,137	182,742,399	225,652	29,164,522	16,536,789	17,217,900
6. Title XVIII - Medicare.....					0	
7. Title XIX - Medicaid.....					0	
8. Other health.....	14,945,202	178,139,534	110,909	18,809,072	15,056,111	16,617,976
9. Health subtotal (Lines 1 to 8).....	239,468,954	1,962,850,591	1,780,877	363,621,867	241,249,831	277,473,992
10. Healthcare receivables (a).....	9,165,221	54,422,859	359	3,534,290	9,165,580	59,328,911
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	7,803,634			25,212,000	7,803,634	9,620,000
13. Totals (Lines 9 - 10 + 11 + 12).....	238,107,367	1,908,427,732	1,780,518	385,299,577	239,887,885	227,765,081

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	256,448	257,340	257,340	257,340	257,340
2. 2012.....	1,698,409	1,961,652	1,961,661	1,961,660	1,961,660
3. 2013.....	XXX	1,701,053	1,982,491	1,982,776	1,982,776
4. 2014.....	XXX	XXX	1,839,137	2,062,150	2,060,660
5. 2015.....	XXX	XXX	XXX	1,984,986	2,233,748
6. 2016.....	XXX	XXX	XXX	XXX	1,962,851

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	258,771	257,340	257,340	257,340	257,340
2. 2012.....	2,007,792	1,964,335	1,962,643	1,961,660	1,961,660
3. 2013.....	XXX	2,002,737	1,984,305	1,982,776	1,982,776
4. 2014.....	XXX	XXX	2,094,150	2,063,497	2,060,660
5. 2015.....	XXX	XXX	XXX	2,270,732	2,235,529
6. 2016.....	XXX	XXX	XXX	XXX	2,351,684

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	2,316,755	1,961,660	76,714	3.9	2,038,374	88.0		8	2,038,382	88.0
2. 2013.....	2,335,838	1,982,776	68,446	3.5	2,051,222	87.8			2,051,222	87.8
3. 2014.....	2,409,437	2,060,660	65,868	3.2	2,126,528	88.3			2,126,528	88.3
4. 2015.....	2,535,836	2,233,748	65,272	2.9	2,299,020	90.7	1,781	19	2,300,820	90.7
5. 2016.....	2,656,268	1,962,851	67,105	3.4	2,029,956	76.4	388,833	4,015	2,422,804	91.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	176,616	175,682	175,682	175,682	175,682
2. 2012.....	1,135,020	1,315,279	1,315,149	1,315,149	1,315,149
3. 2013.....	XXX	1,132,030	1,329,087	1,328,933	1,328,933
4. 2014.....	XXX	XXX	1,226,463	1,376,287	1,374,733
5. 2015.....	XXX	XXX	XXX	1,348,437	1,518,852
6. 2016.....	XXX	XXX	XXX	XXX	1,333,953

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	177,347	175,682	175,682	175,682	175,682
2. 2012.....	1,352,156	1,316,778	1,316,131	1,315,149	1,315,149
3. 2013.....	XXX	1,340,220	1,330,465	1,328,933	1,328,933
4. 2014.....	XXX	XXX	1,400,649	1,377,116	1,374,733
5. 2015.....	XXX	XXX	XXX	1,548,138	1,520,200
6. 2016.....	XXX	XXX	XXX	XXX	1,610,468

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	1,529,703	1,315,149	43,149	3.3	1,358,298	88.8			1,358,298	88.8
2. 2013.....	1,557,721	1,328,933	36,493	2.7	1,365,426	87.7			1,365,426	87.7
3. 2014.....	1,603,895	1,374,733	34,433	2.5	1,409,166	87.9			1,409,166	87.9
4. 2015.....	1,698,974	1,518,852	21,530	1.4	1,540,382	90.7	1,348	14	1,541,744	90.7
5. 2016.....	1,789,401	1,333,953	24,204	1.8	1,358,157	75.9	276,515	2,769	1,637,441	91.5

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS
(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	42,201	42,109	42,109	42,109	42,109
2. 2012.....	210,396	255,182	255,355	255,355	255,355
3. 2013.....	XXX	211,099	259,731	259,904	259,904
4. 2014.....	XXX	XXX	231,721	274,327	274,495
5. 2015.....	XXX	XXX	XXX	241,831	287,788
6. 2016.....	XXX	XXX	XXX	XXX	248,159

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	42,223	42,109	42,109	42,109	42,109
2. 2012.....	260,056	255,216	255,355	255,355	255,355
3. 2013.....	XXX	264,446	259,911	259,904	259,904
4. 2014.....	XXX	XXX	278,673	274,465	274,495
5. 2015.....	XXX	XXX	XXX	293,336	287,881
6. 2016.....	XXX	XXX	XXX	XXX	311,312

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	342,135	255,355	12,874	5.0	268,229	78.4			268,229	78.4
2. 2013.....	343,478	259,904	11,995	4.6	271,899	79.2			271,899	79.2
3. 2014.....	347,645	274,495	12,132	4.4	286,627	82.4			286,627	82.4
4. 2015.....	355,792	287,788	14,523	5.0	302,311	85.0	92	1	302,404	85.0
5. 2016.....	376,548	248,159	12,107	4.9	260,266	69.1	63,153	633	324,052	86.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	731	739	739	739	739
2. 2012.....	18,233	18,943	18,947	18,947	18,947
3. 2013.....	XXX	18,509	19,359	19,363	19,363
4. 2014.....	XXX	XXX	18,789	19,645	19,651
5. 2015.....	XXX	XXX	XXX	19,297	20,305
6. 2016.....	XXX	XXX	XXX	XXX	19,217

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	736	739	739	739	739
2. 2012.....	19,032	19,053	18,947	18,947	18,947
3. 2013.....	XXX	19,448	19,359	19,363	19,363
4. 2014.....	XXX	XXX	19,831	19,740	19,651
5. 2015.....	XXX	XXX	XXX	20,271	20,309
6. 2016.....	XXX	XXX	XXX	XXX	20,386

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	26,044	18,947	954	5.0	19,901	76.4			19,901	76.4
2. 2013.....	26,498	19,363	1,062	5.5	20,425	77.1			20,425	77.1
3. 2014.....	26,401	19,651	1,106	5.6	20,757	78.6			20,757	78.6
4. 2015.....	26,512	20,305	1,476	7.3	21,781	82.2	4		21,785	82.2
5. 2016.....	26,399	19,217	1,318	6.9	20,535	77.8	1,169	12	21,716	82.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	18	18	18	18	18
2. 2012.....	421	437	437	437	437
3. 2013.....	XXX	483	504	504	504
4. 2014.....	XXX	XXX	513	529	529
5. 2015.....	XXX	XXX	XXX	656	672
6. 2016.....	XXX	XXX	XXX	XXX	640

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	18	18	18	18	18
2. 2012.....	439	439	437	437	437
3. 2013.....	XXX	502	504	504	504
4. 2014.....	XXX	XXX	530	530	529
5. 2015.....	XXX	XXX	XXX	671	672
6. 2016.....	XXX	XXX	XXX	XXX	662

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	572	437	39	8.9	476	83.2			476	83.2
2. 2013.....	599	504	54	10.7	558	93.2			558	93.2
3. 2014.....	666	529	41	7.8	570	85.6			570	85.6
4. 2015.....	743	672	91	13.5	763	102.7			763	102.7
5. 2016.....	797	640	96	15.0	736	92.3	22		758	95.1

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS
(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	17,965	17,951	17,951	17,951	17,951
2. 2012.....	163,578	183,262	183,235	183,235	183,235
3. 2013.....	XXX	168,023	188,354	188,360	188,360
4. 2014.....	XXX	XXX	176,086	190,095	189,985
5. 2015.....	XXX	XXX	XXX	182,299	198,720
6. 2016.....	XXX	XXX	XXX	XXX	182,742

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	18,082	17,951	17,951	17,951	17,951
2. 2012.....	184,521	183,452	183,235	183,235	183,235
3. 2013.....	XXX	191,263	188,532	188,360	188,360
4. 2014.....	XXX	XXX	191,606	190,304	189,985
5. 2015.....	XXX	XXX	XXX	199,307	198,945
6. 2016.....	XXX	XXX	XXX	XXX	211,907

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	194,352	183,235	9,932	5.4	193,167	99.4			193,167	99.4
2. 2013.....	204,583	188,360	11,082	5.9	199,442	97.5			199,442	97.5
3. 2014.....	211,242	189,985	10,452	5.5	200,437	94.9			200,437	94.9
4. 2015.....	220,746	198,720	13,675	6.9	212,395	96.2	226	3	212,624	96.3
5. 2016.....	235,678	182,742	14,146	7.7	196,888	83.5	29,165	413	226,466	96.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	3,767	4,391	4,391	4,391	4,391
2. 2012.....	19,437	22,289	23,108	23,107	23,107
3. 2013.....	.XXX.				
4. 2014.....	.XXX.	.XXX.			
5. 2015.....	.XXX.	.XXX.	.XXX.		
6. 2016.....	.XXX.	.XXX.	.XXX.	.XXX.	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	4,395	4,391	4,391	4,391	4,391
2. 2012.....	23,506	23,077	23,108	23,107	23,107
3. 2013.....	.XXX.				
4. 2014.....	.XXX.	.XXX.			
5. 2015.....	.XXX.	.XXX.	.XXX.		
6. 2016.....	.XXX.	.XXX.	.XXX.	.XXX.	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	27,464	23,107	2,158	9.3	25,265	92.0		8	25,273	92.0
2. 2013.....	513			0.0	0	0.0			0	0.0
3. 2014.....	332			0.0	0	0.0			0	0.0
4. 2015.....	1			0.0	0	0.0			0	0.0
5. 2016.....				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	NONE				
2. 2012.....					
3. 2013.....		XXX			
4. 2014.....		XXX	XXX		
5. 2015.....		XXX	XXX	XXX	
6. 2016.....		XXX	XXX	XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	NONE				
2. 2012.....					
3. 2013.....		XXX			
4. 2014.....		XXX	XXX		
5. 2015.....		XXX	XXX	XXX	
6. 2016.....		XXX	XXX	XXX	XXX

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....				0.0	0	0.0			0	0.0
2. 2013.....				0.0	0	0.0			0	0.0
3. 2014.....				0.0	0	0.0			0	0.0
4. 2015.....				0.0	0	0.0			0	0.0
5. 2016.....				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	15,150	16,450	16,450	16,450	16,450
2. 2012.....	151,324	166,260	165,430	165,430	165,430
3. 2013.....	XXX	170,909	185,456	185,712	185,712
4. 2014.....	XXX	XXX	185,565	201,267	201,267
5. 2015.....	XXX	XXX	XXX	192,466	207,411
6. 2016.....	XXX	XXX	XXX	XXX	178,140

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior.....	15,970	16,450	16,450	16,450	16,450
2. 2012.....	168,082	166,320	165,430	165,430	165,430
3. 2013.....	XXX	186,858	185,534	185,712	185,712
4. 2014.....	XXX	XXX	202,861	201,342	201,267
5. 2015.....	XXX	XXX	XXX	209,009	207,522
6. 2016.....	XXX	XXX	XXX	XXX	196,949

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012.....	196,485	165,430	7,608	4.6	173,038	88.1			173,038	88.1
2. 2013.....	202,446	185,712	7,760	4.2	193,472	95.6			193,472	95.6
3. 2014.....	219,256	201,267	7,704	3.8	208,971	95.3			208,971	95.3
4. 2015.....	233,068	207,411	13,977	6.7	221,388	95.0	111	1	221,500	95.0
5. 2016.....	227,445	178,140	15,234	8.6	193,374	85.0	18,809	188	212,371	93.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	280,099	278,686	1,413						
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	53,595,531					51,489,713			2,105,818
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	53,875,630	278,686	1,413	0	0	51,489,713	0	0	2,105,818
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	53,875,630	278,686	1,413	0	0	51,489,713	0	0	2,105,818
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....12,936,024 for occupancy of own building).....	148,489	729,834	14,528,130		15,406,453
2. Salaries, wages and other benefits.....	11,975,503	35,010,805	105,955,248		152,941,556
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			87,811,174		87,811,174
4. Legal fees and expenses.....			1,242,385		1,242,385
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	29,009	1,876	2,262,942		2,293,827
7. Traveling expenses.....	56,706	80,571	1,536,460		1,673,737
8. Marketing and advertising.....	95,122	107,550	2,977,255		3,179,927
9. Postage, express and telephone.....	636,640	3,505,934	3,817,032		7,959,606
10. Printing and office supplies.....	487,767	(188,270)	2,982,409		3,281,906
11. Occupancy, depreciation and amortization.....	502,063	1,871,152	(2,101,666)		271,549
12. Equipment.....	15,289	175,473	324,080		514,842
13. Cost or depreciation of EDP equipment and software.....	1,649,741	3,211,245	21,576,272		26,437,258
14. Outsourced services including EDP, claims, and other services.....	11,790,397	35,919,540	59,253,668		106,963,605
15. Boards, bureaus and association fees.....	4,411	3,756	2,645,353		2,653,520
16. Insurance, except on real estate.....	81,231	293,234	737,444		1,111,909
17. Collection and bank service charges.....		692	1,178		1,870
18. Group service and administration fees.....	6,895,202	9,332,515			16,227,717
19. Reimbursements by uninsured plans.....	(21,489,054)	(24,772,579)	(67,631,228)		(113,892,861)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....	33,116	109,131	348,423		490,670
22. Real estate taxes.....	324,218	1,006,443	3,349,788		4,680,449
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			2,000		2,000
23.2 State premium taxes.....			17,895,145		17,895,145
23.3 Regulatory authority licenses and fees.....			(18,139)		(18,139)
23.4 Payroll taxes.....	626,434	1,822,597	4,800,420		7,249,451
23.5 Other (excluding federal income and real estate taxes).....			47,633,954		47,633,954
24. Investment expenses not included elsewhere.....				5,085,106	5,085,106
25. Aggregate write-ins for expenses.....	4,994,564	5,122,399	(49,753)	0	10,067,210
26. Total expenses incurred (Lines 1 to 25).....	18,856,848	73,343,898	311,879,974	5,085,106	(a).....409,165,826
27. Less expenses unpaid December 31, current year.....	826,705	3,215,475	161,320,359		165,362,539
28. Add expenses unpaid December 31, prior year.....	965,785	3,137,595	175,149,271		179,252,651
29. Amounts receivable relating to uninsured plans, prior year.....			72,354,305		72,354,305
30. Amounts receivable relating to uninsured plans, current year.....			93,838,976		93,838,976
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	18,995,928	73,266,018	347,193,557	5,085,106	444,540,609

DETAILS OF WRITE-INS

2501. Miscellaneous Expenses and Reimbursements.....	214	1,796,935	(49,753)		1,747,396
2502. BlueCard Home Access Fees.....	4,994,350	3,325,464			8,319,814
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above).....	4,994,564	5,122,399	(49,753)	0	10,067,210

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....508,298	.....530,040
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....30,962,901	.....31,176,613
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....906	.....906
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....7,543,779	.....7,554,111
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....12,936,024	.....12,936,024
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....692,368	.....692,368
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....72,106	.....75,956
9. Aggregate write-ins for investment income.....	.....409,360	.....409,360
10. Total gross investment income.....	.....53,125,742	.....53,375,378
11. Investment expenses.....	.....	(g).....5,085,106
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....107,828
14. Depreciation on real estate and other invested assets.....	.....	(i).....7,147,809
15. Aggregate write-ins for deductions from investment income.....	.....	.....1,023,167
16. Total deductions (Lines 11 through 15).....	.....	.....13,363,910
17. Net investment income (Line 10 minus Line 16).....	.....	.....40,011,468

DETAILS OF WRITE-INS

0901. Securities Lending.....	.....123,337	.....123,337
0902. Miscellaneous Investment Income.....	.....286,023	.....286,023
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....409,360	.....409,360
1501. Other Investment Expense.....	.....	.....1,023,167
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....	.....	.....1,023,167
(a) Includes \$.....7,757,827 accrual of discount less \$.....7,689,129 amortization of premium and less \$.....770,030 paid for accrued interest on purchases.	.....	.....
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.	.....	.....
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.	.....	.....
(d) Includes \$.....12,936,024 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.	.....	.....
(e) Includes \$.....57,536 accrual of discount less \$.....2,228 amortization of premium and less \$.....0 paid for accrued interest on purchases.	.....	.....
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.	.....	.....
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	.....	.....
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.	.....	.....
(i) Includes \$.....7,147,809 depreciation on real estate and \$.....0 depreciation on other invested assets.	.....	.....

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....(44,816)	.....	.....(44,816)	.....38,083	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....1,070,603	.....(701,115)	.....369,488	.....454,494	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....44,974	.....	.....44,974	.....(239)	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....17,614,250	.....(5,799,770)	.....11,814,480	.....3,211,905	.....(1,488,196)
2.21 Common stocks of affiliates.....	.....	.....	.....0	.....14,548,125	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....5,284	.....	.....5,284	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....200,882	.....(100,000)	.....100,882	.....31,948	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....(129,463)	.....(129,463)	.....0	.....0
10. Total capital gains (losses).....	.....18,891,177	.....(6,730,348)	.....12,160,829	.....18,284,316	.....(1,488,196)

DETAILS OF WRITE-INS

0901. Foreign Contract Gain/Loss.....	.....	.....(129,463)	.....(129,463)	.....	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page...	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....0	.....(129,463)	.....(129,463)	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....	22,467,230	22,365,510	(101,720)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			0
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....	6,386,970	5,226,063	(1,160,907)
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	28,854,200	27,591,573	(1,262,627)
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	1,540,330	1,845,278	304,948
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....	1,670,862		(1,670,862)
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....	2,928,302		(2,928,302)
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....	9,030,000	11,034,000	2,004,000
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....	5,540,136	9,842,168	4,302,032
21. Furniture and equipment, including health care delivery assets.....	19,844,924	21,178,486	1,333,562
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....	17,300,399	17,081,012	(219,387)
24. Health care and other amounts receivable.....	16,024,046	11,615,196	(4,408,850)
25. Aggregate write-ins for other-than-invested assets.....	79,416,990	108,678,595	29,261,605
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	182,150,189	208,866,308	26,716,119
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	182,150,189	208,866,308	26,716,119

DETAILS OF WRITE-INS

1101.			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Prepaid Premium Tax Assets.....	58,968,606	64,876,485	5,907,879
2502. Prepaid Pension Costs.....		19,333,251	19,333,251
2503. Other Prepaid Expenses.....	18,341,300	22,264,462	3,923,162
2598. Summary of remaining write-ins for Line 25 from overflow page.....	2,107,084	2,204,397	97,313
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	79,416,990	108,678,595	29,261,605

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	942,528	915,617	911,889	917,955	919,724	10,988,988
4. Point of service.....						
5. Indemnity only.....	168,527	170,962	172,199	173,710	174,566	2,071,233
6. Aggregate write-ins for other lines of business.....	188,102	179,941	179,659	179,559	179,544	2,156,762
7. Total.....	1,299,157	1,266,520	1,263,747	1,271,224	1,273,834	15,216,983

DETAILS OF WRITE-INS

0601. Dental.....	83,917	81,832	81,637	81,605	81,893	980,600
0602. Medicare Part D.....	96,640	90,129	89,991	89,907	89,647	1,079,973
0603. Vision.....	7,545	7,980	8,031	8,047	8,004	96,189
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	188,102	179,941	179,659	179,559	179,544	2,156,762

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of Wellmark, Inc. (the Company) have been prepared in conformity with the accounting practices prescribed by the National Association of Insurance Commissioners (NAIC) and the State of Iowa.

The NAIC *Accounting Practices and Procedures* manual has been adopted as a component of prescribed or permitted practices by the State of Iowa. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices. The Company does not have any permitted practices.

	SSAP #	F/S Page	F/S Line #	2016	2015
Net Income					
(1) Wellmark, Inc. state basis	XXX	XXX	XXX	\$ (26,507,304)	\$ (1,832,005)
(2) State Prescribed Practices that increase/(decrease) NAIC SAP				-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP				-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	\$ (26,507,304)	\$ (1,832,005)
Surplus					
(5) Wellmark, Inc. state basis	XXX	XXX	XXX	\$ 1,330,274,686	\$ 1,321,982,003
(6) State Prescribed Practices that increase/(decrease) NAIC SAP				-	-
(7) State Permitted Practices that increase/(decrease) NAIC SAP				-	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	\$ 1,330,274,686	\$ 1,321,982,003

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums on fully insured accident and health plans are billed in advance of their respective coverage periods. Receivables and income for such premiums are recorded at the effective date of the coverage period. Premiums received in advance and any unearned portion of premiums are recorded on the balance sheets as premiums received in advance and unearned premiums and reported as income when earned.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Other costs, such as premium taxes and other underwriting expenses, are also charged to operations as incurred.

Real estate is carried at depreciated cost, less encumbrances. The fair value of real estate owned is determined by an internal analysis and evaluation of relevant market data.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost, which approximates fair value.
- (2) Bonds are reported at cost adjusted for amortization of premiums and accretion of discounts using the effective interest method. When declines in the fair value of investments are considered to be other than temporary, the carrying values of the investments are reduced and a realized loss is recognized.
- (3) Unaffiliated common stocks are carried at market. The Company has no restricted common stock. When declines in the fair value of investments are considered to be other than temporary, the carrying values of the investments are reduced and a realized loss is recognized.
- (4) Preferred stocks are carried at cost or lower of cost or market, as determined by the NAIC designation.
- (5) The Company has no mortgage loans.
- (6) Loan-backed securities are stated at amortized cost. The retrospective adjustment method is used to value all securities.
- (7) Common stocks of subsidiaries are recorded at the equity in the underlying statutory basis of their net assets.
- (8) The Company has ownership interests in two affiliated joint ventures. The Company carries these interests based on the underlying statutory equity of the investees.

NOTES TO FINANCIAL STATEMENTS

The Company also has minor ownership interests in limited liability companies. The Company carries these interests based on the underlying equity of the investee. If a GAAP audited statement is unavailable, the Company considers these investments non-admitted. All ownership interests in limited liability companies have been nonadmitted at December 31, 2016.

- (9) The Company has no derivatives.
- (10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with Statement of Statutory Accounting Principles (SSAP) 54, Individual and Group Accident and Health Contracts.
- (11) The Company provides a liability for unpaid and unreported benefits, which represents the estimated ultimate cost of benefits incurred through the balance sheet date. The liability is estimated on the basis of past experience and accumulated statistical data. Subsequent actual benefit experience may differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges and other factors. These estimates are continuously reviewed and, as adjustments become necessary, such adjustments are reflected in current operations.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) The Company estimates pharmaceutical rebates utilizing past experience and accumulated statistical data. These estimates are continuously reviewed and any adjustments are reflected in current operations.

D. Going Concern

Management has evaluated the Company's ability to continue as a going concern and has concluded that there are no events or circumstances that raise any doubt about the Company's ability to continue as a going concern.

Note 2 - Accounting Changes and Corrections of Errors

Not applicable.

Note 3 - Business Combinations and Goodwill

Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans - Not applicable.
- B. Debt Restructuring - Not applicable.
- C. Reverse Mortgages - Not applicable.
- D. Loan-Backed Securities
- (1) Prepayment assumptions for loan-backed bonds and structured securities were obtained from broker dealer survey values or internal estimates.
- (2) Loan-backed securities with a current period recognized other-than-temporary impairment, in the aggregate, classified on the basis for the other-than-temporary impairment (OTTI) follows as of December 31, 2016:

	(1) Amortized Cost Basis Before OTTI	(2) OTTI Recognized in Loss	(3) Fair Value (1) - (2)
OTTI recognized 1st Quarter			
a. Intent to sell	\$ -	\$ -	\$ -
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
c. Total 1st Quarter	\$ -	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

OTTI recognized 2nd Quarter			
d. Intent to sell	\$ -	\$ -	\$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
f. Total 2nd Quarter	\$ -	\$ -	\$ -
OTTI recognized 3rd Quarter			
g. Intent to sell	\$ -	\$ -	\$ -
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
i. Total 3rd Quarter	\$ -	\$ -	\$ -
OTTI recognized 4th Quarter			
j. Intent to sell	\$ -	\$ -	\$ -
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	4,556,157	701,115	3,855,042
l. Total 4th Quarter	\$ 4,556,157	\$ 701,115	\$ 3,855,042
m. Annual Aggregate Total		\$ 701,115	

(3) Loan-backed securities with a current period recognized other-than-temporary impairment, currently held by the Company, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities follows as of December 31, 2016:

CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
32051GTX3	\$ 585,398	\$ 505,858	\$ 79,540	\$ 505,858	\$ 622,531	12/31/2016
36297TAB8	1,058,380	850,547	207,833	850,547	1,080,041	12/31/2016
576438AH8	669,649	527,056	142,593	527,056	670,042	12/31/2016
65535VMY1	772,600	621,817	150,783	621,817	766,236	12/31/2016
92925DAB6	651,716	576,487	75,229	576,487	648,147	12/31/2016
86365FAC8	526,535	496,244	30,291	496,244	621,150	12/31/2016
86365LAB7	291,879	277,033	14,846	277,033	344,100	12/31/2016
Total	XXX	XXX	\$ 701,115	XXX	XXX	XXX

(4) Impaired loan-backed securities, in the aggregate, for which an other-than-temporary impairment has not been recognized in earnings as a realized loss follows as of December 31, 2016:

- a. The aggregate amount of unrealized losses:

1. Less than 12 Months

\$ (2,164,058)

2. 12 Months or Longer

\$ (3,227,543)
- b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months

\$ 102,704,549

2. 12 Months or Longer

\$ 65,168,331

(5) The securities are in an unrealized loss position as a result of interest rate related changes in the market. Projected cash flow analyses for these securities are greater than amortized cost. The Company has the intent and ability to retain the securities for a period of time sufficient to recover the amortized cost basis.

NOTES TO FINANCIAL STATEMENTS

- E. Repurchase Agreements and/or Securities Lending Transactions
- (1) The Company participates in a securities lending program through its custodian bank, Bank of New York Mellon (BNY-M). On the day the loan is delivered, BNY-M obtains collateral equal in amount to 102% for securities of United States issuers and 105% for securities of non-United States issuers of the market value of the securities loaned plus accrued interest. The collateralization of all loans is then reviewed daily during the term of the loan. Cash received as collateral will be held and maintained by BNY-M in one of its collective investment vehicles in accordance with investment guidelines provided in the securities lending agreement. Prior to the close of business for the calendar year, at the request of the Company, BNY-M recalls all securities that are out on loan. As of December 31, 2016, no securities were on loan and the Company is not holding any collateral.
 - (2) Not applicable.
 - (3) Not applicable.
 - (4) Not applicable.
 - (5) Not applicable.
 - (6) Not applicable.
 - (7) Not applicable.
- F. Real Estate
- (1) Not applicable.
 - (2) The Company finalized the sale of its Sioux City office building on January 7, 2015. A realized gain of \$17,536 was recognized on the sale of this property and is reported in the prior year net realized capital gains and losses in the Statement of Revenue and Expenses.
 - (3) Not applicable.
 - (4) Not applicable.
 - (5) Not applicable.
- G. Investments in Low-Income Housing Tax Credits - Not applicable.
- H. Restricted Assets - Not applicable.
- I. Working Capital Finance Investments - Not applicable.
- J. Offsetting and Netting of Assets and Liabilities - Not applicable.
- K. Structured Notes - Not applicable.
- L. 5* Securities - Not applicable.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

- A. In January 2016, the Company entered into a Joint Venture with the University of Iowa Health System to form the insurance company Wellmark Synergy Health, Inc. (WSH). In March 2016, the Company purchased 90,000 shares and the University of Iowa Health System purchased 30,000 shares of common stock at \$100 per share of WSH. The University of Iowa Health System subsequently sold shares to other provider organizations, resulting in a 75% ownership interest in the joint venture for the Company, a 16.25% ownership interest for the University of Iowa Health System and an 8.75% combined ownership interest for the other provider organizations in WSH.
- In January 2016, the Company also entered into a Joint Venture with Mercy Health Network, Inc. to form the insurance company Wellmark Value Health Plan, Inc. (WVHP). In March 2016, both the Company and Mercy Health Network, Inc. purchased 5,000 shares of common stock at \$100 per share of WVHP, resulting in a 50% ownership interest in WVHP for both the Company and Mercy Health Network, Inc. In July 2016, the Company and Mercy Health Network, Inc. each contributed \$2,000,000 of capital in return for an additional 20,000 shares of common stock of WVHP at \$100 per share.
- Both joint ventures are licensed as Health Maintenance Organizations (HMO) in the state of Iowa and commenced business on January 1, 2017. The Company accounts for both WSH and WVHP as joint ventures reported on Schedule BA – Other Long Term Invested Assets and carries these investments at our ownership share of their underlying statutory equity.
- As of December 31, 2016, the Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

NOTES TO FINANCIAL STATEMENTS

B. During 2016, the Company incurred \$100,000 of other than temporary losses on its venture capital investments. Fair value of the investment was determined based on the projected future cash flows of the investment.

Note 7 - Investment Income

The Company had no amount of due and accrued income excluded from investment income.

Note 8 - Derivative Instruments

Not Applicable.

Note 9 - Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.	12/31/2016			12/31/2015			Change		
	(1)	(2)	(3) (Col 1+2) Total	(4)	(5)	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
	Ordinary	Capital		Ordinary	Capital				
(a) Gross Deferred Tax Assets	\$ 87,087,000	\$ 6,366,000	\$ 93,453,000	\$ 82,493,000	\$ 6,011,000	\$ 88,504,000	\$ 4,594,000	\$ 355,000	\$ 4,949,000
(b) Statutory Valuation Allowance Adjustments	-	-	-	-	-	-	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	87,087,000	6,366,000	93,453,000	82,493,000	6,011,000	88,504,000	4,594,000	355,000	4,949,000
(d) Deferred Tax Assets Nonadmitted	9,030,000	-	9,030,000	11,034,000	-	11,034,000	(2,004,000)	-	(2,004,000)
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	78,057,000	6,366,000	84,423,000	71,459,000	6,011,000	77,470,000	6,598,000	355,000	6,953,000
(f) Deferred Tax Liabilities	1,388,000	27,843,000	29,231,000	1,916,000	28,383,000	30,299,000	(528,000)	(540,000)	(1,068,000)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 76,669,000	\$ (21,477,000)	\$ 55,192,000	\$ 69,543,000	\$ (22,372,000)	\$ 47,171,000	\$ 7,126,000	\$ 895,000	\$ 8,021,000
2.	12/31/2016			12/31/2015			Change		
	(1)	(2)	(3) (Col 1+2) Total	(4)	(5)	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
	Ordinary	Capital		Ordinary	Capital				
Admission Calculation Components SSAP No. 101									
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ 33,861,000	\$ 3,342,000	\$ 37,203,000	\$ 36,492,000	\$ 3,133,000	\$ 39,625,000	\$ (2,631,000)	\$ 209,000	\$ (2,422,000)
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (Lesser of 2(b)1 and 2(b)2 Below)	17,989,000	-	17,989,000	7,546,000	-	7,546,000	10,443,000	-	10,443,000
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance	17,989,000	-	17,989,000	7,546,000	-	7,546,000	10,443,000	-	10,443,000
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	190,000,000	XXX	XXX	189,900,000	XXX	XXX	100,000
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	26,207,000	3,024,000	29,231,000	27,421,000	2,878,000	30,299,000	(1,214,000)	146,000	(1,068,000)
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101. Total (2(a)+2(b)+2(c))	\$ 78,057,000	\$ 6,366,000	\$ 84,423,000	\$ 71,459,000	\$ 6,011,000	\$ 77,470,000	\$ 6,598,000	\$ 355,000	\$ 6,953,000
3.	2016	2015							
(a) Ratio Percentage Used To Determine Recovery Period and Threshold Limitation Amount	897.215%	908.721%							
(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	\$ 1,275,082,686	\$ 1,274,811,003							
4.	12/31/2016		12/31/2015		Change				
	(1)	(2)	(3)	(4)	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital			
	Ordinary	Capital	Ordinary	Capital					
Impact of Tax Planning Strategies									
(a) Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character as a Percentage									
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 87,087,000	\$ 6,366,000	\$ 82,493,000	\$ 6,011,000	\$ 4,594,000	\$ 355,000			
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$ 78,057,000	\$ 6,366,000	\$ 71,459,000	\$ 6,011,000	\$ 6,598,000	\$ 355,000			
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because of the Impact of Tax Planning Strategies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
(b) Does the Company's tax-planning strategies include the use of reinsurance? Yes_____No <u>X</u>									

NOTES TO FINANCIAL STATEMENTS

B. Deferred Tax Liabilities are not recognized for the following amounts:

NONE

C. Current income taxes incurred consist of the following major components:

	(1) 12/31/2016	(2) 12/31/2015	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 19,997,000	\$ 8,074,000	\$ 11,923,000
(b) Foreign	-	-	-
(c) Subtotal	19,997,000	8,074,000	11,923,000
(d) Federal income tax on net capital gains	4,527,000	7,196,000	(2,669,000)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income taxes incurred	\$ 24,524,000	\$ 15,270,000	\$ 9,254,000
2. Deferred Tax Assets			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 2,620,000	\$ 4,186,000	\$ (1,566,000)
(2) Unearned premium reserve	-	-	-
(3) Policyholder reserves	-	-	-
(4) Investments	216,000	200,000	16,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	2,076,000	3,080,000	(1,004,000)
(8) Compensation and benefits accrual	24,268,000	21,171,000	3,097,000
(9) Pension accrual	3,147,000	-	3,147,000
(10) Receivables - nonadmitted	13,812,000	10,689,000	3,123,000
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	94,000	39,000	55,000
(14) Intangible assets at transition date	5,346,000	5,454,000	(108,000)
(15) Prepaid assets - nonadmitted	24,672,000	27,246,000	(2,574,000)
(16) Invested assets - nonadmitted	10,099,000	9,657,000	442,000
(17) Other - nonadmitted	737,000	771,000	(34,000)
(99) Subtotal	87,087,000	82,493,000	4,594,000
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	9,030,000	11,034,000	(2,004,000)
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	78,057,000	71,459,000	6,598,000
(e) Capital			
(1) Investments	6,366,000	6,011,000	355,000
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	6,366,000	6,011,000	355,000
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	6,366,000	6,011,000	355,000
(i) Admitted deferred tax assets (2d + 2h)	\$ 84,423,000	\$ 77,470,000	\$ 6,953,000
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	\$ -	\$ -	\$ -
(2) Fixed assets	1,388,000	1,916,000	(528,000)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	-	-	-
(6) Compensation and benefits accrual	-	-	-
(99) Subtotal	1,388,000	1,916,000	(528,000)
(b) Capital			
(1) Investments	23,724,000	23,372,000	352,000
(2) Real estate	4,119,000	5,011,000	(892,000)
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	27,843,000	28,383,000	(540,000)
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 29,231,000	\$ 30,299,000	\$ (1,068,000)
4. Net Deferred Tax Assets/Liabilities (2i -3c)	\$ 55,192,000	\$ 47,171,000	\$ 8,021,000

NOTES TO FINANCIAL STATEMENTS

(5) The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in unassigned surplus):

	12/31/2016			12/31/2015			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
Total deferred tax assets	\$ 87,087,000	\$ 6,366,000	\$ 93,453,000	\$ 82,493,000	\$ 6,011,000	\$ 88,504,000	\$ 4,594,000	\$ 355,000	\$ 4,949,000
Total deferred tax liabilities	(1,388,000)	(27,843,000)	\$ (29,231,000)	(1,916,000)	(28,383,000)	\$ (30,299,000)	528,000	540,000	1,068,000
Net deferred tax asset (liability)	85,699,000	(21,477,000)	\$ 64,222,000	80,577,000	(22,372,000)	\$ 58,205,000	5,122,000	895,000	6,017,000
Tax effect of unrealized gains									776,000
Tax effect of SSAP92/SSAP102									(5,155,000)
Change in net deferred income tax									\$ 1,638,000

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

	12/31/2016
Provision computed at statutory rate	\$ (694,000)
Change in nonadmitted assets	8,649,000
Tax exempt interest deduction	(1,612,000)
ACA health insurer fee	12,512,000
Dividends received deduction, net	(503,000)
Nondeductible lobbying expenses	129,000
§162(m)(6) limitation	3,663,000
Other permanent differences	292,000
Credits generated in current year	(381,000)
Adjustment of prior year's tax	820,000
Other	11,000
Total	\$ 22,886,000
Federal income taxes incurred	\$ 19,997,000
Realized capital gains (losses) tax	4,527,000
Change in net deferred income taxes	(1,638,000)
Total statutory income taxes	\$ 22,886,000

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

- (1) At December 31, 2016, the Company did not have any unused operating loss carryforwards or tax credit carryforwards available to offset against future taxable income.
- (2) The following are income taxes in the current and prior years that will be available for recoupment in the event of future net losses:

Year	Total
2016	\$ 23,131,000
2015	16,586,000
2014	13,957,000
TOTAL	\$ 53,674,000

- (3) The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

- (1) The Company's federal income tax return is consolidated with the following entities:

Wellmark of South Dakota, Inc.
Wellmark Health Plan of Iowa, Inc.
First Administrators, Inc.
Midwest Benefit Consultants, Inc.
Wellmark Holdings, Inc.

- (2) The method of allocation between the companies is subject to a written agreement, approved by the Board of Directors and the Iowa Insurance Division. Allocation is based upon separate return calculations with current credit for net losses.

At December 31, 2016 the Company's tax related balance due from subsidiaries was \$4,006,464.

NOTES TO FINANCIAL STATEMENTS

G. Federal or Foreign Income Tax Loss Contingencies

At December 31, 2016, it is not reasonably possible to determine the Company's amount of tax loss contingencies that will significantly increase or decrease within twelve months of the reporting date.

Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A, B & C. The Company and Wellmark Health Plan of Iowa, Inc. (WHPI), a wholly owned subsidiary, have a management agreement whereby WHPI agrees to pay the Company for costs related to services outlined in the agreement. These costs are computed on a monthly basis. For 2016 and 2015 these costs were \$78,585,337 and \$75,411,325, respectively. The Company and WHPI also have an intercompany tax sharing arrangement (See Note 9). For 2016 and 2015, the tax related balance due from (to) WHPI under this tax sharing arrangement was \$3,108,138 and (\$578,791), respectively.

The Company and Wellmark of South Dakota, Inc. (WSD), a wholly owned subsidiary, have an intercorporate service agreement whereby WSD agrees to pay the Company for costs related to services outlined in the agreement. These costs are computed on a monthly basis. For 2016 and 2015 these costs were \$69,088,694 and \$62,093,958, respectively. The Company and WSD also have an intercompany tax sharing arrangement (See Note 9). For 2016 and 2015, the tax related balance due (to) from WSD under this tax sharing arrangement was (\$1,176,796) and \$711,000, respectively.

The Company and WSH, a 75% owned joint venture, have an investment and management services agreement whereby WSH agrees to pay the Company for costs related to services outlined in the agreement. The management fee will be computed as a fixed amount per member per month and became effective January 1, 2017.

The Company and WVHP, a 50% owned joint venture, have an investment and management services agreement whereby WVHP agrees to pay the Company for costs related to services outlined in the agreement. The management fee will be computed as a fixed amount per member per month and became effective January 1, 2017.

The Company has a revolving credit agreement with both WSH and WVHP, which gives them each line of credit financing in an amount up to \$10,000,000. There were no outstanding draws on the credit line by either WSH or WVHP as of December 31, 2016.

In January 2016, the Company received a \$3,000,000 dividend from its wholly owned subsidiary Midwest Benefit Consultants, Inc.

D. At December 31, 2016, the Company reported \$2,810,106 as amounts due to subsidiaries and affiliates and \$22,897,792 as amounts due from subsidiaries and affiliates. At December 31, 2015, the Company reported \$1,499,329 and \$10,735,094 as amounts due to and from subsidiaries, respectively. The terms of the agreements require these amounts to be settled within 30 days.

E. Not applicable.

F. The Company has an intercorporate services and investment and management agreement with some of its subsidiaries and affiliates to provide certain management and administrative services.

G. Not applicable.

H. Not applicable.

I. The Company owns a 100% interest in WSD, whose carrying value exceeded 10% of the admitted assets of the Company in both 2016 and 2015. The Company carries WSD at its statutory equity, which was \$238,630,129 and \$232,662,186 as of December 31, 2016 and 2015, respectively. At December 31, 2016, WSD's statutory assets and liabilities were \$414,369,144 and \$175,739,015, respectively. At December 31, 2015, WSD's statutory assets and liabilities were \$407,335,545 and \$174,673,359, respectively. Statutory net income for WSD was \$4,501,323 and \$27,745,089 for the years ended December 31, 2016 and 2015, respectively.

J. Not applicable.

K. Not applicable.

L. Not applicable.

NOTES TO FINANCIAL STATEMENTS

M. All Subsidiary, Controlled and Affiliated (SCA) Investments

(1) Balance sheet value (admitted and nonadmitted) all SCAs (except 8bi entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities		\$ -	\$ -	\$ -
Total SSAP No. 97 8a Entities	XXX	\$ -	\$ -	\$ -
b. SSAP No. 97 8b(ii) Entities		\$ -	\$ -	\$ -
Total SSAP No. 97 8b(ii) Entities	XXX	\$ -	\$ -	\$ -
c. SSAP No. 97 8b(iii) Entities				
Wellmark Holdings, Inc.	100%	\$ 112,656	\$ -	\$ 112,656
First Administrators, Inc.	100%	3,296,229	-	3,296,229
Midwest Benefit Consultants, Inc.	100%	3,027,076	-	3,027,076
Total SSAP No. 97 8b(iii) Entities	XXX	\$ 6,435,961	\$ -	\$ 6,435,961
d. SSAP No. 97 8b(iv) Entities		\$ -	\$ -	\$ -
Total SSAP No. 97 8b(iv) Entities	XXX	\$ -	\$ -	\$ -
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	\$ 6,435,961	\$ -	\$ 6,435,961
f. Aggregate Total (a+e)	XXX	\$ 6,435,961	\$ -	\$ 6,435,961

(2) NAIC filing response information

SCA Entity	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities			\$ -			
Total SSAP No. 97 8a Entities	XXX	XXX	\$ -	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities			\$ -			
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
Wellmark Holdings, Inc.	S1	10/25/2016	\$ -	Y	N	N/A
First Administrators, Inc.	S1	10/25/2016	-	Y	N	N/A
Midwest Benefit Consultants, Inc.	S1	10/25/2016	-	Y	N	N/A
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities			\$ -			
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	XXX	\$ -	XXX	XXX	XXX
f. Aggregate Total (a+e)	XXX	XXX	\$ -	XXX	XXX	XXX

* S1 - Sub-1, S2 - Sub-2 or RDF - Resubmission of Disallowed Filing

** I - Immaterial or M - Material

N. Not applicable.

Note 11 - Debt

- A. The Company has available lines of credit up to \$100,000,000. In 2016 the Company did draw on its lines of credit and paid interest of \$1,375 related to its draws in 2016. There were no outstanding draws as of December 31, 2016.
- B. Federal Home Loan Bank Agreements – Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 12 - Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. Defined Benefit Plan

The Company sponsors a pension program covering substantially all employees of the Company and its subsidiaries. The pension program contains both a defined benefit and cash balance plan available to eligible employees depending on the date of hire. The defined benefit pension plan benefits are based on years of service and the employee's highest five consecutive years' compensation in the last ten years of service. Under the cash balance plan employees earn annual credits based on a percentage of salary which are accumulated in an account that earns interest annually. The pension plan assets are held in the Non-Contributory Retirement Program for Certain Employees of Wellmark, Inc. Trust (Trust) with Prudential Bank & Trust, F.S.B. as the trustee. The recordkeeping responsibilities are performed by Prudential Retirement Insurance and Annuity Company (Prudential). The funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 1996, plus additional amounts as determined to be appropriate from time to time.

The Company also sponsors a postretirement health care benefit program. The program has two separate benefit plan calculations available to employees depending on the date of hire. One plan contributes toward the cost of health care premiums based on years of service and is available to employees who retire from the Company who have at least ten years of service and have attained age 65 while in service to the Company. This plan also includes a life insurance benefit based on the employee's annual salary at retirement and is available to employees who retire from the Company who have at least five years of service and have attained age 55 while in service to the Company. The second plan option allows employees to accumulate annual credits in an account that earns interest annually and can be used to pay for health care premiums when the employee becomes Medicare eligible.

The Company has not funded either the postretirement health care or life insurance plans, but intends to meet the obligations of the plans through general assets of the Company.

A summary of assets, obligations and assumptions of the Pension and Other Postretirement Benefit Plans are as follows at December 31, 2016 and 2015:

(1)	Change in benefit obligation	Overfunded		Underfunded	
	a. Pension Benefits	2016	2015	2016	2015
	1. Benefit obligation at beginning of year	N/A	\$268,056,324	\$274,869,557	N/A
	2. Service cost		9,449,476	10,158,227	
	3. Interest cost		11,185,795	12,290,346	
	4. Contribution by plan participants		-	-	
	5. Actuarial (gain)/loss		(583,010)	16,333,974	
	6. Foreign currency exchange rate changes		-	-	
	7. Benefits paid		(13,239,028)	(19,342,391)	
	8. Plan amendments		-	814,326	
	9. Business combinations, divestitures, curtailments, settlements and special termination benefits		-	-	
	10. Benefit obligation at end of year		\$ 274,869,557	\$ 295,124,039	
	b. Postretirement Benefits	Overfunded		Underfunded	
		2016	2015	2016	2015
	1. Benefit obligation at beginning of year	N/A	N/A	\$ 32,780,483	\$ 34,408,048
	2. Service cost			1,573,244	1,564,143
	3. Interest cost			1,420,915	1,309,869
	4. Contribution by plan participants			-	-
	5. Actuarial (gain)/loss			(776,578)	(3,404,176)
	6. Foreign currency exchange rate changes			-	-
	7. Benefits paid			(1,128,794)	(1,097,401)
	8. Plan amendments			-	-
	9. Business combinations, divestitures, curtailments, settlements and special termination benefits			-	-
	10. Benefit obligation at end of year			\$ 33,869,270	\$ 32,780,483

NOTES TO FINANCIAL STATEMENTS

		Overfunded		Underfunded	
	c. Special or Contractual Benefits Per SSAP No. 11	2016	2015	2016	2015
	1. Benefit obligation at beginning of year	N/A	N/A	\$ 8,115,103	\$ 7,473,762
	2. Service cost			19,619,102	19,211,388
	3. Interest cost			-	-
	4. Contribution by plan participants			-	-
	5. Actuarial (gain)/loss			-	-
	6. Foreign currency exchange rate changes			-	-
	7. Benefits paid			(18,739,017)	(18,570,047)
	8. Plan amendments			-	-
	9. Business combinations, divestitures, curtailments, settlements and special termination benefits			-	-
	10. Benefit obligation at end of year			\$ 8,995,188	\$ 8,115,103

(2)	Change in plan assets	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits Per SSAP No. 11	
		2016	2015	2016	2015	2016	2015
	a. Fair value of plan assets at beginning of year	\$ 294,202,808	\$ 314,812,553	N/A	N/A	N/A	N/A
	b. Actual return on plan assets	11,273,594	(7,370,717)				
	c. Foreign currency exchange rate changes	-	-				
	d. Reporting entity contribution	-	-				
	e. Plan participants' contributions	-	-				
	f. Benefits paid	(19,342,391)	(13,239,028)				
	g. Business combinations, divestitures and settlements	-	-				
	h. Fair value of plan assets at end of year	\$ 286,134,011	\$ 294,202,808				

(3)	Funded status	Pension Benefits		Postretirement Benefits	
		2016	2015	2016	2015
	Overfunded:				
	a. Assets (nonadmitted)			N/A	N/A
	1. Prepaid benefit costs	\$ 122,590,998	\$ 134,839,387		
	2. Overfunded plan assets	(122,590,998)	(115,506,136)		
	3. Total assets (nonadmitted)	\$ -	\$ 19,333,251		
	Underfunded:				
	b. Liabilities recognized	N/A	N/A		
	1. Accrued benefit costs	\$ -		\$ 30,026,336	\$ 27,591,911
	2. Liability for benefits	8,990,028		3,842,934	5,188,572
	3. Total liabilities recognized	\$ 8,990,028		\$ 33,869,270	\$ 32,780,483
	c. Unrecognized liabilities	N/A	N/A	\$ -	\$ -

(4)	Components of net periodic benefit cost	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits Per SSAP No. 11	
		2016	2015	2016	2015	2016	2015
	a. Service cost	\$ 10,158,227	\$ 9,449,476	\$ 1,573,244	\$ 1,564,143	\$ 19,619,102	\$ 19,211,388
	b. Interest cost	12,290,346	11,185,795	1,420,915	1,309,869	-	-
	c. Expected return on plan assets	(19,088,194)	(21,517,337)	-	-	-	-
	d. Transition asset or obligation	-	-	-	-	-	-
	e. Gains and losses	8,670,335	5,802,510	-	64,860	-	-
	f. Prior service cost or credit	217,675	181,381	569,060	569,060	-	-
	g. Gain or loss recognized due to a settlement or curtailment	-	-	-	-	-	-
	h. Total net periodic benefit cost	\$ 12,248,389	\$ 5,101,825	\$ 3,563,219	\$ 3,507,932	\$ 19,619,102	\$ 19,211,388

NOTES TO FINANCIAL STATEMENTS

(5)	Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost	Pension Benefits		Postretirement Benefits	
		2016	2015	2016	2015
	a. Items not yet recognized as a component of net periodic cost - prior year	\$ 115,506,136	\$ 93,184,983	\$ 5,188,572	\$ 9,226,668
	b. Net transition asset or obligation recognized	-	-	-	-
	c. Net prior service cost or credit arising during the period	814,326	-	-	-
	d. Net prior service cost or credit recognized	(217,675)	(181,381)	(569,060)	(569,060)
	e. Net gain and loss arising during the period	24,148,574	28,305,044	(776,578)	(3,404,176)
	f. Net gain and loss recognized	(8,670,335)	(5,802,510)	-	(64,860)
	g. Items not yet recognized as a component of net periodic cost - current year	\$ 131,581,026	\$ 115,506,136	\$ 3,842,934	\$ 5,188,572

(6)	Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost	Pension Benefits		Postretirement Benefits	
		2016	2015	2016	2015
	a. Net transition asset or obligation	\$ -	\$ -	\$ -	\$ -
	b. Net prior service cost or credit	217,675	138,073	569,060	569,060
	c. Net recognized gains and losses	11,575,163	8,557,947	-	-

(7)	Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost	Pension Benefits		Postretirement Benefits	
		2016	2015	2016	2015
	a. Net transition asset or obligation	\$ -	\$ -	\$ -	\$ -
	b. Net prior service cost or credit	1,017,453	420,802	4,305,729	4,874,789
	c. Net recognized gains and losses	130,563,573	115,085,334	(462,795)	313,783

(8)	Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31	Pension Benefits		Postretirement Benefits	
		2016	2015	2016	2015
	a. Weighted-average discount rate	4.60%	4.25%	4.40%	4.00%
	b. Expected long-term rate of return on plan assets	6.75%	7.00%	N/A	N/A
	c. Rate of compensation increase	7.0 - 3.0%	7.0 - 3.0%	7.0 - 3.0%	7.0 - 3.0%
	Weighted-average assumptions used to determine projected benefit obligations as of Dec. 31				
	d. Weighted-average discount rate	4.40%	4.60%	4.20%	4.40%
	e. Rate of compensation increase	8.0 - 3.5%	7.0 - 3.0%	8.0 - 3.5%	7.0 - 3.0%

- (9) The amount of the accumulated benefit obligation for the defined benefit pension plan was \$250,351,815 for the current year and \$239,188,528 for the prior year.
- (10) For postretirement benefits other than pensions, for measurement purposes, 7.50% (pre-65) and 8.25% (post-65) annual rates of increase in the per capita cost of covered health care benefits were assumed for 2016. These rates grade down annually to 4.75% for 2028 and beyond.

(11)	Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:	1 Percentage Point Increase	1 Percentage Point Decrease
	a. Effect on total of service and interest cost components	\$ 100,792	\$ (94,697)
	b. Effect on postretirement benefit obligation	308,110	(257,688)

NOTES TO FINANCIAL STATEMENTS

(12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year	Pension Benefits	Postretirement Benefits
a. 2017	\$ 20,393,000	\$ 1,829,000
b. 2018	\$ 19,016,000	\$ 1,942,000
c. 2019	\$ 19,823,000	\$ 1,984,000
d. 2020	\$ 20,838,000	\$ 2,084,000
e. 2021	\$ 21,637,000	\$ 2,204,000
f. 2022 through 2026	\$ 116,313,000	\$ 11,756,000

- (13) The Company does not have any regulatory contribution requirements for 2017; in addition, there are no current plans for the Company to make voluntary contributions to the defined benefit pension plan in 2017.
- (14) Not applicable.
- (15) Not applicable.
- (16) Not applicable.
- (17) Not applicable.
- (18) The benefit obligation increased from \$274,869,557 at December 31, 2015 to \$295,124,039 at December 31, 2016 while the plan assets decreased from \$294,202,808 at December 31, 2015 to \$286,134,011 at December 31, 2016. The actuarial loss in 2016 contributed to the change of the funded status of the plan from being overfunded at December 31, 2015 to being underfunded at December 31, 2016.
- (19) There are no plan assets expected to be returned to the employer during the 12-month period following December 31, 2016.
- (20) The pension plan was in an underfunded status at December 31, 2016 and an overfunded status at December 31, 2015. The impact to surplus to recognize the unfunded status of the pension plan at December 31, 2016 was \$8,990,028. As required under SSAP 102, the 2015 overfunded plan assets were nonadmitted. The Company has not funded either the postretirement health care or life insurance plans. The impact to surplus to recognize the unfunded status of the Other Postretirement Benefit Plans is \$3,842,934 and \$5,188,572 at December 31, 2016 and 2015, respectively.
- (21) Not applicable.

B. The Company's assets are invested in the Trust.

The investment program for the Trust is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- (1) Increasing risk is rewarded with compensating returns over time and therefore, prudent risk taking is justifiable for long term investors.
- (2) Risk can be controlled through diversification of asset classes and investment approaches as well as diversification of individual securities.
- (3) Risk is reduced by time, and over time the relative performance of different asset classes is reasonably consistent. Over the long-term, equity investments have provided and should continue to provide superior returns over other security types. Fixed-income securities can dampen volatility and provide liquidity in periods of depressed economic activity. Lengthening duration of fixed income securities may reduce surplus volatility.
- (4) The strategic or long-term allocation of assets among various asset classes is an important driver of long term returns.
- (5) Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Investments will be made for the sole interest of the participants of the pension plan participating in the Trust. Accordingly, the assets of the Trust shall be invested in accordance with these objectives:

- (1) To seek and maintain an adequate funded status with regard to current liabilities within a targeted range.
- (2) To manage overall costs of running the pension plan at levels favorable to industry benchmarks.
- (3) To ensure assets are available to meet current and future benefit and expense obligations when due.

NOTES TO FINANCIAL STATEMENTS

C. (1) Fair value measurements of plan assets at reporting date:

Description for each class of plan assets	(Level 1)	(Level 2)	(Level 3)	Total
Common/collective trusts	\$ -	\$ 96,461,136	\$ -	\$ 96,461,136
Hedge funds	-	71,360,395	-	71,360,395
Mutual funds	85,097,927	-	-	85,097,927
Pooled separate accounts	-	33,214,553	-	33,214,553
Total plan assets	\$ 85,097,927	\$ 201,036,084	\$ -	\$ 286,134,011

- (2) Not applicable.
- (3) As part of its process to determine the fair value of assets within the Trust, the Company gives consideration to many inputs used to determine the fair value hierarchy.

Following year end, investments are initially reviewed using unaudited December 31 reporting and valuation data obtained from each manager as well as accounting from Prudential, Trustee. Reports include, but are not limited to, period end accounting and reconciliations as applicable, the manager Net Asset Value valuation, security listings and the listings of fund underlying securities. The Company considers the manager valuation methodologies, pricing source data obtained from Prudential and the market of each security and assigns a level classification. The majority of investments are easy to value funds and securities, including non-traded funds with marketable underlying holdings that are classified as Level 1 or Level 2 securities. Any securities subject to Level 3 classification are further reviewed and reconciled.

D. The basis of the overall expected long-term rate of return on assets assumption is a forward-looking approach based on the current long-term capital market outlook assumptions of the asset categories the Trust invests in and the Trust's target asset allocation.

The assumed target asset allocation for the program is: 49% equity securities, 40% debt securities, and 11% other securities. Portfolio expectations were estimated through a combination of underlying asset assumptions including geometric returns, distributions, and correlations. Using these assumptions over a 20 year time horizon under the target asset allocation, 25th to 75th percentile range of annual rates of return is 5.0% - 8.2%.

The Company selected the expected return on asset assumption of 6.50% for 2016. This rate is net of both investment and other administrative expenses charged to the Trust.

E. Defined Contribution Plan

The Company sponsors a defined contribution plan, which is qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees of the Company and subsidiaries. Employees can contribute up to 80% of their annual salary (up to the elective deferral limits set by the Commissioner of Internal Revenue) to the plan. The Company will contribute an amount equal to 100% of the first 4% of salary contributed by the employee. The plan also provides for additional employer contributions at the discretion of the Board of Directors. The Company's contribution for this plan was \$3,836,239 and \$3,726,192 for 2016 and 2015, respectively.

- F. Multiemployer Plans - Not applicable.
- G. The Company is the plan sponsor of a pension program and a postretirement health and life benefit program which cover substantially all employees of the consolidated group.
- H. Postemployment Benefits and Compensated Absences - Not applicable.
- I. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) was signed into law. The Act allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. The Company plans to return any subsidy received to retirees in the form of higher postretirement welfare benefits. Therefore, the effects of the subsidy are not reflected in the measurement of the accumulated postretirement benefit obligation or the net periodic benefit cost.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

NOTES TO FINANCIAL STATEMENTS

- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) The balance in special surplus funds for the prior year was due to the reclassification from unassigned surplus to special surplus funds, as required under SSAP 106, for the amount the Company anticipated it would pay for its 2016 health insurance provider fee. Nothing was reclassified from unassigned surplus to special surplus in the current year due to the suspension of the fee for 2017 under the Consolidated Appropriations Act of 2016.
- (10) The portion of unassigned funds (surplus) represented by cumulative unrealized gains is \$396,068,641.
- (11) Not applicable.
- (12) Not applicable.
- (13) Not applicable.

Note 14 - Liabilities, Contingencies and Assessments

A. Contingent Commitments

- (1) The Company, as the ultimate parent of WHPI and WSD, (each a “Subsidiary”) is required by licensure requirements of the Blue Cross Blue Shield Association (BCBSA) to execute parental guarantees pursuant to which the Company guarantees to the full extent of its assets all contractual and financial obligations of each Subsidiary to its respective customers. Also, the Company, as the ultimate parent of WHPI is required by the Iowa Insurance Division to guarantee the obligations of WHPI to pay for services up to \$1,100,000.

Through parental guarantees executed between the Company and its joint venture companies WSH and WVHP, the Company guarantees that WSH and WVHP are in compliance with the Iowa statutory minimum for HMO capital and surplus of \$1,000,000 or the statutory minimum for risk-based capital for health organizations, whichever is greater.

- (2) Not applicable.
- (3) Not applicable.

B. Assessments

The Company is subject to health related assessments by the Iowa Comprehensive Health Association and the Iowa Individual Health Benefit Reinsurance Association for high risk insurance pools. The Company accrued net admitted receivables of \$3,480,000 for estimated health related assessments to be returned to the Company at December 31, 2016.

- C. Gain Contingencies - Not applicable.
- D. Claim Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - Not applicable.
- E. Joint and Several Liabilities - Not applicable.
- F. All Other Contingencies

The Company contracts with an unaffiliated company to handle data processing needs. Charges to the Company, after allocation of a portion of the costs to subsidiaries and affiliates, amounted to approximately \$11,184,000 in 2016. Future minimum payments through December 31, 2025, expiration date of the contract, total approximately \$29,250,000. In addition, such payments are subject to annual adjustments based upon policyholder count and other volume factors. The Company also contracts with another unaffiliated company for products and services. Charges to the Company, after allocation of a portion of the costs to subsidiaries and affiliates, amounted to approximately \$4,622,000 in 2016. Future minimum payments through December 31, 2032, the expiration date of this contract, total approximately \$45,106,000 for this contract.

The Company has agreements with various vendors for services and equipment in connection with the Company’s disaster recovery site. Future minimum payments through April 30, 2022, expiration date of the longest agreement, total approximately \$3,437,000.

At December 31, 2016 and 2015, the Company had admitted assets of \$195,037,599 and \$168,293,071, respectively in uncollected premiums, accounts receivable for uninsured plans, and retrospective premiums. The Company routinely assesses the collectability of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Company’s financial condition.

NOTES TO FINANCIAL STATEMENTS

The National Organization of Life & Health Insurance Guaranty Associations (NOLHGA) is an association consisting of the state life and health insurance guaranty organizations. State life and health insurance guaranty organizations, working with NOLHGA, provide a safety net for their state’s policyholders, ensuring that they continue to receive coverage even if their insurer is declared insolvent. The Company is aware that the Pennsylvania Insurance Commissioner placed long-term care insurance carrier Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty, in rehabilitation, an intermediate action before insolvency, and also petitioned the state court to have Penn Treaty declared insolvent. On May 3, 2012, the court denied the petition for insolvency and ordered that a Rehabilitation Plan be submitted. Following several extensions granted by the court, the initial Rehabilitation Plan was submitted on April 30, 2013. The 2013 plan was then subsequently amended twice and now has been withdrawn. In July 2016, the Pennsylvania Insurance Commissioner submitted a petition to convert rehabilitation to liquidation. The Court heard the Rehabilitator’s petitions to convert the receiverships to liquidation on November 9, 2016 and there were no objections. It is anticipated that the liquidation orders will be placed in early 2017. When Penn Treaty is declared insolvent and placed in liquidation, the Company and other insurers will be required to pay a portion of their policyholder claims through NOLHGA guaranty association assessments in future periods. The Company expects to record an estimated liability and expense of approximately \$55,000,000 pretax, if Penn Treaty is placed in liquidation. In addition, the Company expects to recover the guaranty fund assessment through permitted premium tax offsets and will therefore record a corresponding premium tax credit.

In the ordinary course of business, the Company is involved in and subject to claims, contractual disputes and other uncertainties, which the Company defends vigorously.

While the ultimate outcome of any other claims cannot be presently determined, in the opinion of management, adequate provision has been made for any potential losses which may result from these actions and the Company expects any liability that could result will not materially affect its financial position.

Note 15 - Leases

- A. (1) a. The Company leases office space, parking facilities and equipment under various noncancellable operating lease agreements that expire through December 2023. Rental expense associated with these lease arrangements was approximately \$684,000 and \$673,000 for 2016 and 2015, respectively.
- b. Not applicable.
- c. Certain rental commitments have renewal options extending through the year 2033. Some of these renewals are subject to adjustments in future periods.
- d. Not applicable.
- e. Not applicable.
- (2) a. At January 1, 2017, the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Leases
1.	2017	\$ 734,861
2.	2018	573,025
3.	2019	441,123
4.	2020	439,290
5.	2021	449,497
6.	Total	\$2,637,796

- b. Not applicable.
- (3) Not applicable.
- B. Not applicable.

Note 16 - Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans - Not applicable.
- B. ASC Plans

The gain or loss from operations from ASC uninsured plans and the uninsured portion of partially insured plans were as follows during 2016:

		ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a.	Gross reimbursement for medical cost incurred	\$ 1,390,220,339	\$ 1,239,995,168	\$ 2,630,215,507
b.	Gross administrative fees accrued	42,429,080	71,838,751	114,267,831
c.	Other income or expenses (including interest paid to or received from plans)	2,915	113,688	116,603
d.	Gross expenses incurred (claims and administrative)	1,448,272,298	1,330,762,057	2,779,034,355
e.	Total net gain or loss from operations	\$ (15,619,964)	\$ (18,814,450)	\$ (34,434,414)

- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

Reimbursements from Centers for Medicare and Medicaid Services (CMS) for the Company's participation in the Medicare Part D program for the year ended December 31, 2016 were \$48,912,115. This amount represents pharmacy benefit cost reimbursements for the Reinsurance Subsidy and Low-Income Cost Sharing Subsidy elements of the Medicare Part D program.

At December 31, 2016 the Company has a receivable of \$8,725,914 from CMS for these reimbursements. The Company does not have any pre-funded amounts received from CMS not applied to benefit payments at December 31, 2016.

During the year, the Company received a net amount of \$7,722,201 for prior year cost reimbursements from CMS.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

Note 20 - Fair Value Measurements

- A.
- (1) Fair Value Measurements at December 31, 2016:

	Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value:				
Bonds				
Industrial and misc.	\$ -	\$ 15,514,687	\$ -	\$ 15,514,687
Perpetual preferred stock				
Industrial and misc.	10,360	-	-	10,360
Common stock				
Industrial and misc.	224,262,544	96,892,074	3,903,992	325,058,610
Cash equivalents	-	6,416,361	-	6,416,361
Short-term investments	22,577,055	-	-	22,577,055
Total assets at fair value	\$ 246,849,959	\$ 118,823,122	\$ 3,903,992	\$ 369,577,073

- (2) Level 3 Fair Value Hierarchy Reconciliation:

Description	Beginning Balance at 01/01/16	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance as of Current Quarter End
Assets:										
Common Stock	\$ 4,052,941	\$ -	\$ -	\$ -	\$ (148,949)	\$ -	\$ -	\$ -	\$ -	\$ 3,903,992
Total Assets	\$ 4,052,941	\$ -	\$ -	\$ -	\$ (148,949)	\$ -	\$ -	\$ -	\$ -	\$ 3,903,992

NOTES TO FINANCIAL STATEMENTS

- (3) The Company recognizes transfers between levels at the end of the reporting period.
- (4) Transfers between levels 2 and 3 are determined based on the level of observable market data due to related market activity for these securities. Financial instruments included in Level 2 mainly consist of stocks denominated in foreign currency, money market funds and bonds which have direct or indirect price inputs that are observable in active markets. Included in Level 3 are privately held stocks.

Fair values, as reported herein, of publicly traded bonds are based on market prices as determined by an independent pricing service. Fair values of bonds that are not publicly traded are estimated using the present value of estimated future cash flows

- (5) Not applicable.
- B. Statutory guidance requires the disclosure of fair values for certain other financial instruments for which it is practicable to estimate fair value, whether or not such values are recognized in the statements of assets, liabilities, capital and surplus. The carrying amounts for cash, receivable for securities, accrued investment income, premium receivables, other receivables, amounts due to/from affiliates, unearned premiums, accounts payable and accrued expenses, and certain other liabilities approximate fair value because of the short-term nature of these items.
- C. Aggregate Fair Value and Admitted Value at December 31, 2016:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Assets:						
Bonds	\$ 783,238,919	\$ 761,733,110	\$ -	\$ 783,238,919	\$ -	\$ -
Common stock	\$ 325,058,617	\$ 325,058,610	\$ 224,262,551	\$ 96,892,074	\$ 3,903,992	\$ -
Preferred stock	\$ 993,314	\$ 993,314	\$ 10,360	\$ -	\$ 982,954	\$ -
Cash Equivalents	\$ 6,416,361	\$ 6,416,361	\$ -	\$ 6,416,361	\$ -	\$ -
Short-term Investments	\$ 33,515,432	\$ 33,516,989	\$ 22,577,055	\$ 10,938,377	\$ -	\$ -

- D. Not applicable.

Note 21 - Other Items

- A. Unusual or Infrequent Items - Not applicable.
- B. Troubled Debt Restructuring - Not applicable.
- C. Other Disclosures - Not applicable.
- D. Business Interruption Insurance Recoveries - Not applicable.
- E. State Transferable and Nontransferable Tax Credits - Not applicable.
- F. Subprime Mortgage Related Risk Exposure
- (1) The Company's investment policy, approved by the Board of Directors, requires the use of high quality fixed income investments to cover its contractual liabilities. The investment policy requires that the Company's fixed income portfolio have a minimum average quality rating of BBB+ or better and the total of below investment grade securities is limited to 10% of the total portfolio. The Company's exposure to subprime mortgages is 4% of its total portfolio. The Company is receiving principal and interest payments on the subprime mortgage securities. The securities have unrealized gains and losses of \$4,372,797 and \$349,355 respectively. Additionally, the Company has a policy for portfolio diversification with a requirement that no single issue except for the U.S. Government and Agencies can exceed 5% of the total fixed income portfolio. While no single definition exists for subprime, these securities are considered higher risk and carry higher than prime rates of interest. In addition to the interest rates, the Company considers the FICO scores below 660, level of documentation, evidence of delinquency, foreclosure, judgments or bankruptcy and other factors that limit the borrower's ability to service the debt when determining if a security should be classified as subprime.
- (2) Direct exposure through investments in subprime mortgage loans - Not applicable.

NOTES TO FINANCIAL STATEMENTS

(3) Direct exposure through other investments.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than- Temporary Impairment Losses Recognized
a. Residential mortgages backed securities	\$ 39,189,129	\$ 41,744,830	\$ 45,768,272	\$ -
b. Commercial mortgage backed securities	-	-	-	-
c. Collateralized debt obligations	-	-	-	-
d. Structured securities	404,868	404,924	407,284	-
e. Equity investment in SCA's	-	-	-	-
f. Other assets	-	-	-	-
g. Total	\$ 39,593,997	\$ 42,149,754	\$ 46,175,556	\$ -

(4) Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage - Not applicable.

- G. Retained Assets - Not applicable.
- H. Insurance-Linked Securities - Not applicable.

Note 22 - Events Subsequent

Type I - Recognized Subsequent Events:

Subsequent events have been considered through February 20, 2017 for the statutory statement issued on March 1, 2017.

Type II - Nonrecognized Subsequent Events:

Subsequent events have been considered through February 20, 2017 for the statutory statement issued on March 1, 2017.

In 2016, the Company was subject to an annual fee under section 9010 of the Affordable Care Act (ACA). This annual fee was allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that was written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provided health insurance for any U.S. health risk for the calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2015, the Company had written health insurance subject to the ACA assessment, expected to conduct health insurance business in 2016, and estimated their portion of the annual health insurance industry fee payable on September 30, 2016 to be \$36,100,000. This amount was reflected in special surplus in 2015. The actual amount paid in 2016 was \$35,748,296.

The fee has been suspended for 2017 under the Consolidated Appropriations Act of 2016. Therefore, no amount has been reclassified from unassigned surplus to special surplus in the current year; and no premiums written in 2016 are subject to the ACA section 9010 assessment.

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (YES/NO)?	Yes	
B. ACA fee assessment payable for the upcoming year	\$ -	\$ 36,100,000
C. ACA fee assessment paid	\$ 35,748,296	\$ 36,137,341
D. Premium written subject to ACA 9010 assessment	\$ -	\$ 2,010,532,826
E. Total Adjusted Capital before surplus adjustment (Five-Year Hisrotical Line 14)	\$ 1,330,274,686	
F. Total Adjusted Capital after surplus adjustment (Five-Year Hisrotical Line 14 minus 22B above)	\$ 1,330,274,686	
G. Authorized Control Level (Five-Year Hisrotical Line 15)	\$ 142,115,619	
H. Would reporting the ACA assessment as of December 31, 2014, have triggered an RBC action level (YES/NO)?	No	

NOTES TO FINANCIAL STATEMENTS

Note 23 - Reinsurance

A. Ceded Reinsurance Report

Section 1 - General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes (☐) No (☒)
- (2) Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes (☐) No (☒)

Section 2 - Ceded Reinsurance Report - Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes (☐) No (☒)
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes (☐) No (☒)

Section 3 - Ceded Reinsurance Report - Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

Not applicable.
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes (☐) No (☒)

- B. Uncollectible Reinsurance - Not applicable.
- C. Commutation of Ceded Reinsurance - Not applicable.
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation - Not applicable.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The Company's participation in the Medicare Part D program includes a risk sharing provision with CMS. The Company estimates accrued retrospective premium adjustments for its Medicare Part D products through a prescribed formula approach. CMS adjusts its payments to the Company based on how actual benefit costs varied from the costs anticipated in the Company's bid for the Medicare Part D products. At December 31, 2016, the Company had two prior years remaining to be settled with CMS for the Medicare Part D products. The risk sharing amounts relating to all other prior years have been settled with CMS.

The Company estimates accrued retrospective premium adjustments for individuals, small groups and large groups according to retrospective rating features pursuant to the medical loss ratio rebate requirements subject to the Public Health Service Act.

NOTES TO FINANCIAL STATEMENTS

- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. The amount of net premiums written by the Company at December 31, 2016 that are subject to retrospective rating features was \$2,072,032,076, which represented 78.0% of the total net premiums written for the Company. No other net premiums written by the Company are subject to retrospective rating features.
- D. The Company had no medical loss ratio rebates required pursuant to the Public Health Services Act at December 31, 2016.
- E. Risk-Sharing Provisions of the ACA

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)?

YES

- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year.

- a. Permanent ACA Risk Adjustment Program

Assets	Amount
1. Premium adjustments receivable due to ACA Risk Adjustment	\$ 20,100,000
Liabilities	
2. Risk adjustment user fees payable for ACA Risk Adjustment	\$ 135,741
3. Premium adjustments payable due to ACA Risk Adjustment	\$ -
Operations (Revenue & Expense)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ 27,815,957
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)	\$ 138,317

- b. Transitional ACA Reinsurance Program

Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$ 8,096,000
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$ 1,411,000
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$ -
Liabilities	
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$ -
5. Ceded reinsurance premiums payable due to ACA Reinsurance	\$ -
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ 4,919
Operations (Revenue & Expense)	
7. Ceded reinsurance premiums due to ACA Reinsurance	\$ 469,029
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ 9,817,589
9. ACA Reinsurance contributions - not reported as ceded premium	\$ 10,802,951

- c. Temporary ACA Risk Corridors Program - Not applicable.

NOTES TO FINANCIAL STATEMENTS

(3) Rollforward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

					Differences		Adjustments		Unsettled Balances as of the Reporting Date		
					Prior Year Accrued Less Payments (Col 1-3)	Prior Year Accrued Less Payments (Col 2-4)	To Prior Year Balances	To Prior Year Balances	Ref	Cumulative Balance from Prior Years (Col 1-3+7)	Cumulative Balance from Prior Years (Col 2-4+8)
	1	2	3	4							
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable	\$11,001,680	\$ -	\$18,717,637	\$ -	\$ (7,715,957)	\$ -	\$ 7,715,957	\$ -	A	\$ -	\$ -
2. Premium adjustments (payable)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
3. Subtotal ACA Permanent Risk Adjustment Program	\$11,001,680	\$ -	\$18,717,637	\$ -	\$ (7,715,957)	\$ -	\$ 7,715,957	\$ -		\$ -	\$ -
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$12,150,000	\$ -	\$13,619,727	\$ -	\$ (1,469,727)	\$ -	\$ 3,140,589	\$ -	C	\$ 1,670,862	\$ -
2. Amounts recoverable for claims unpaid (contra liability)	\$ -	\$ 2,830,000	\$ -	\$ -	\$ -	\$ 2,830,000	\$ -	\$(2,830,000)	D	\$ -	\$ -
3. Amounts receivable relating to uninsured plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5. Ceded reinsurance premiums payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
6. Liability for amounts held under uninsured plans	\$ -	\$ (12,586)	\$ -	\$ -	\$ -	\$ (12,586)	\$ -	\$ 12,586	H	\$ -	\$ -
7. Subtotal ACA Transitional Reinsurance Program	\$12,150,000	\$ 2,817,414	\$13,619,727	\$ -	\$ (1,469,727)	\$ 2,817,414	\$ 3,140,589	\$(2,817,414)		\$ 1,670,862	\$ -
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
2. Reserve rate for credits or policy experience rating refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
3. Subtotal ACA Risk Corridors Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
d. Total for ACA Risk Sharing Provisions	\$23,151,680	\$ 2,817,414	\$32,337,364	\$ -	\$ (9,185,684)	\$ 2,817,414	\$10,856,546	\$(2,817,414)		\$ 1,670,862	\$ -

Explanations of Adjustments

A Revised data received.

C Revised data received.

D Revised data received.

H Revised data received.

NOTES TO FINANCIAL STATEMENTS

- (4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year – Not applicable.
- (5) ACA Risk Corridors Receivable as of Reporting Date – Not applicable.

Note 25 - Change in Incurred Claims and Claims Adjustment Expenses

The Company's reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years have decreased by \$36,377,069 from \$281,577,372 in 2015. Because unpaid losses are estimated based on past experience and accumulated statistical data, the Company's actual benefit payments have varied from the original estimates.

Note 26 - Intercompany Pooling Arrangements

Not applicable.

Note 27 - Structured Settlements

Not applicable.

Note 28 - Health Care Receivables

A. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2016	\$ 23,705,008	\$ -	\$ -	\$ -	\$ -
9/30/2016	\$ 22,775,836	\$ 23,974,091	\$ -	\$ -	\$ -
6/30/2016	\$ 22,479,117	\$ 17,365,473	\$ -	\$ 19,232,424	\$ -
3/31/2016	\$ 19,301,217	\$ 22,795,255	\$ -	\$ 17,315,497	\$ 3,584,604
12/31/2015	\$ 22,668,796	\$ 24,204,456	\$ -	\$ 16,942,593	\$ 8,294,330
9/30/2015	\$ 22,319,093	\$ 20,252,298	\$ -	\$ 15,726,514	\$ 4,686,553
6/30/2015	\$ 14,971,306	\$ 16,846,613	\$ -	\$ 13,255,561	\$ 2,995,970
3/31/2015	\$ 14,681,306	\$ 14,971,306	\$ -	\$ 9,786,263	\$ 4,933,583
12/31/2014	\$ 9,811,714	\$ 10,267,842	\$ -	\$ 10,362,292	\$ 100,776
9/30/2014	\$ 9,855,036	\$ 9,485,679	\$ -	\$ 9,127,770	\$ 489,404
6/30/2014	\$ 8,992,310	\$ 9,028,273	\$ -	\$ 8,729,475	\$ 222,352
3/31/2014	\$ 7,016,013	\$ 8,655,312	\$ -	\$ 8,409,731	\$ 113,514

B. Risk Sharing Receivables - Not applicable.

Note 29 - Participating Policies

Not applicable.

Note 30 - Premium Deficiency Reserves

- (1) Liability carried for premium deficiency reserves\$0
- (2) Date of the most recent evaluation of this liability01/26/2017
- (3) Was anticipated investment income utilized in the calculation?Yes [X] No []

Note 31 - Anticipated Salvage and Subrogation

Not applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?
If yes, complete Schedule Y, Parts 1, 1A and 2.

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State regulating? Iowa

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2011

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity.
This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2011

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/27/2013

3.4

By what department or departments?
Iowa Insurance Division

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☐ No ☐ N/A ☒

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21

State the percentage of foreign control

%

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1	2
Nationality	Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board?

Yes ☐ No ☒

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐ No ☒

8.4

If the response to 8.3 is yes, please provide below the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 801 Grand Avenue, Des Moines, IA 50309

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes ☐ No ☒

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation?

Yes ☐ No ☒

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes ☒ No ☐ N/A ☐

10.6

If the response to 10.5 is no or n/a, please explain:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Daniel J. Callahan, Senior Actuary, FSA, MAAA (employee), 1331 Grand Avenue, Des Moines, IA 50309-2901
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ☐ No ☒

12.11

Name of real estate holding company

12.12

Number of parcels involved

0

12.13

Total book/adjusted carrying value

\$0
- 12.2

If yes, provide explanation
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes ☐ No ☐
- 13.3

Have there been any changes made to any of the trust indentures during the year?

Yes ☐ No ☐
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes ☐ No ☐ N/A ☐
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes ☒ No ☐

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is no, please explain:
- 14.2

Has the code of ethics for senior managers been amended?

Yes ☐ No ☒
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes ☐ No ☒
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1

Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?

Yes ☐ No ☒
- 15.2

If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinator committee thereof?

Yes ☒ No ☐
17.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes ☒ No ☐
18.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes ☒ No ☐

FINANCIAL

19.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes ☐ No ☒
- 20.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11

To directors or other officers

\$0

20.12

To stockholders not officers

\$0

20.13

Trustees, supreme or grand (Fraternal only)

\$0
- 20.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21

To directors or other officers

\$0

20.22

To stockholders not officers

\$0

20.23

Trustees, supreme or grand (Fraternal only)

\$0
- 21.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement?

Yes ☐ No ☒
- 21.2

If yes, state the amount thereof at December 31 of the current year:

21.21

Rented from others

\$0

21.22

Borrowed from others

\$0

21.23

Leased from others

\$0

21.24

Other

\$0
- 22.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes ☒ No ☐
- 22.2

If answer is yes:

22.21

Amount paid as losses or risk adjustment

\$9,735,058

22.22

Amount paid as expenses

\$0

22.23

Other amounts paid

\$0
- 23.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☒ No ☐
- 23.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

INVESTMENT

24.01

Were all of stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)?

Yes [X]No []

24.02

If no, give full and complete information, relating thereto:

24.03

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).
The Company participates in a securities lending program through its custodian bank, Bank of New York Mellon (BNY-M). On the day the loan is delivered, BNY-M obtains collateral equal in amount to 102% for securities of United States issuers and 105% for securities of non-United States issuers of the market value of the securities loaned plus accrued interest. The collateralization of all loans is then reviewed daily during the term of the loan. Cash received as collateral will be held and maintained by BNY-M in one of its collective investment vehicles in accordance with the investment guidelines provided in the securities lending agreement. Prior to the close of business for the calendar year, at the request of the Company, BNY-M recalls all securities that are out on loan. As of December 31, 2016, no securities were on loan.

24.04

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [X]No []N/A []

24.05

If answer to 24.04 is yes, report amount of collateral for conforming programs.

\$0

24.06

If answer to 24.04 is no, report amount of collateral for other programs

\$0

24.07

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [X]No []N/A []

24.08

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes []No []N/A [X]

24.09

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes [X]No []N/A []

24.10

For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101

Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$0

24.102

Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$0

24.103

Total payable for securities lending reported on the liability page:

\$0

25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.)

Yes []No [X]

25.2

If yes, state the amount thereof at December 31 of the current year:

25.21

Subject to repurchase agreements

\$0

25.22

Subject to reverse repurchase agreements

\$0

25.23

Subject to dollar repurchase agreements

\$0

25.24

Subject to reverse dollar repurchase agreements

\$0

25.25

Placed under option agreements

\$0

25.26

Letter stock or securities restricted as sale – excluding FHLB Capital Stock

\$0

25.27

FHLB Capital Stock

\$0

25.28

On deposit with states

\$0

25.29

On deposit with other regulatory bodies

\$0

25.30

Pledged as collateral – excluding collateral pledged to an FHLB

\$0

25.31

Pledged as collateral to FHLB – including assets backing funding agreements

\$0

25.32

Other

\$0

25.3

For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		\$

26.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes []No [X]

26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes []No []N/A [X]

27.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes []No [X]

27.2

If yes, state the amount thereof at December 31 of the current year:

\$0

28.

Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X]No []

28.01

For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
The Bank of New York Mellon	One Mellon Bank Center, Pittsburgh, PA 15258-001

28.02

For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes []No [X]

28.04

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05

Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts", "... handle securities"].

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name of Firm or Individual	2 Affiliation
NISA Investment Advisors, LLC	U
TCW Asset Management Company, LLC	U
Templeton Investment Counsel, LLC	U
Wellington Management Company LLP	U
Fisher Investments, Inc.	U
Mesirow Financial Investment Management, Inc.	U
Metropolitan West Asset Management LLC	U
Dodge & Cox	U

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets?

Yes ☒ No ☐

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes ☐ No ☒

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
107313	NISA Investment Advisors, LLC		SEC	NO
105742	TCW Asset Management Company, LLC		SEC	NO
111370	Templeton Investment Counsel, LLC	D8ZZMLBMZO5UV5R9DG61	SEC	NO
106595	Wellington Management Company LLP	549300YHP12TEZNL CX41	SEC	NO
107342	Fisher Investments, Inc.		SEC	NO
111135	Mesirow Financial Investment Management, Inc.	IWFK35GSRKL2OLE5C129	SEC	NO
104571	Metropolitan West Asset Management LLC		SEC	NO
104596	Dodge & Cox	549300SV2HIB7EJR0U84	SEC	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes ☐ No ☒

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

		1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	795,250,099	816,754,351	21,504,252
30.2	Preferred Stocks	993,314	993,314	0
30.3	Totals	796,243,413	817,747,665	21,504,252

30.4 Describe the sources or methods utilized in determining the fair values:

HubData and Bank of New York Mellon

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes ☒ No ☐

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes ☒ No ☐

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed?

Yes ☒ No ☐

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$2,835,716

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Blue Cross and Blue Shield Association	\$1,425,464

34.1 Amount of payments for legal expenses, if any?

\$1,242,377

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

34.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Nyemaster Law Firm	\$ 812,326

35.1

Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$ 90,005

35.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes [X]	No []
1.2	If yes, indicate premium earned on U.S. business only.		\$	376,547,645	
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?		\$	0	
1.31	Reason for excluding:				
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.		\$	0	
1.5	Indicate total incurred claims on all Medicare Supplement insurance.		\$	306,054,303	
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned		\$	77,418,111	
1.62	Total incurred claims		\$	67,331,076	
1.63	Number of covered lives		\$	52,844	
	All years prior to most current three years:				
1.64	Total premium earned		\$	299,129,534	
1.65	Total incurred claims		\$	238,723,227	
1.66	Number of covered lives		\$	116,961	
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned		\$	0	
1.72	Total incurred claims		\$	0	
1.73	Number of covered lives		\$	0	
	All years prior to most current three years:				
1.74	Total premium earned		\$	0	
1.75	Total incurred claims		\$	0	
1.76	Number of covered lives		\$	0	
2.	Health Test:				
		1	2		
		Current Year	Prior Year		
2.1	Premium Numerator	\$ 2,654,800,651	\$ 2,542,744,353		
2.2	Premium Denominator	\$ 2,654,800,651	\$ 2,542,744,353		
2.3	Premium Ratio (2.1/2.2)	\$ 100.000	\$ 100.000		
2.4	Reserve Numerator	\$ 444,490,374	\$ 342,436,798		
2.5	Reserve Denominator	\$ 444,490,374	\$ 342,436,798		
2.6	Reserve Ratio (2.4/2.5)	\$ 100.000	\$ 100.000		
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?			Yes []	No [X]
3.2	If yes, give particulars:				
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?			Yes [X]	No []
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?			Yes [X]	No []
5.1	Does the reporting entity have stop-loss reinsurance?			Yes []	No [X]
5.2	If no, explain:				
	The Company participated in the ACA Transitional Reinsurance program in 2016.				
5.3	Maximum retained risk (see instructions)				
5.31	Comprehensive Medical		\$	9,999,999	
5.32	Medical Only		\$	0	
5.33	Medicare Supplement		\$	9,999,999	
5.34	Dental and Vision		\$	9,999,999	
5.35	Other Limited Benefit Plan		\$	0	
5.36	Other		\$	0	
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: Reserves exceed all regulatory requirements and provider contracts have hold harmless provisions. Member of Iowa Life and Health Guaranty Association under Iowa Code 508C.				

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [X]

No []

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

6,463

8.2

Number of providers at end of reporting year

8,736

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes []

No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees with rate guarantees between 15-36 months

\$

0

9.22

Business with rate guarantees over 36 months

\$

0

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [X]

No []

10.2

If yes:

10.21

Maximum amount payable bonuses

\$

10,934,280

10.22

Amount actually paid for year bonuses

\$

7,803,634

10.23

Maximum amount payable withholds

\$

0

10.24

Amount actually paid for year withholds

\$

0

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

Yes []

No [X]

11.13

An Individual Practice Association (IPA), or,

Yes []

No [X]

11.14

A Mixed Model (combination of above)?

Yes []

No [X]

11.2

Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?

Yes [X]

No []

11.3

If yes, show the name of the state requiring such minimum capital and surplus.

11.4

If yes, show the amount required.

\$

5,000,000

11.5

Is this amount included as part of a contingency reserve in stockholder’s equity?

Yes []

No [X]

11.6

If the amount is calculated, show the calculation

12.

List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Iowa
South Dakota

13.1

Do you act as a custodian for health savings accounts?

Yes []

No [X]

13.2

If yes, please provide the amount of custodial funds held as of the reporting date.

\$

0

13.3

Do you act as an administrator for health savings accounts?

Yes []

No [X]

13.4

If yes, please provide the balance of the funds administered as of the reporting date.

\$

0

14.1

Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers?

Yes []

No [X]

N/A []

14.2

If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit		
				5	6	7
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	Letters of Credit	Trust Agreements	Other
	0		\$	\$	\$	\$

15.

Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).

15.1

Direct Premium Written

\$

0

15.2

Total Incurred Claims

\$

0

15.3

Number of Covered Lives

0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

FIVE-YEAR HISTORICAL DATA

	1 2016	2 2015	3 2014	4 2013	5 2012
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	2,129,480,667	2,043,927,418	2,018,044,802	2,065,842,866	1,873,807,143
2. Total liabilities (Page 3, Line 24).....	799,205,981	721,945,415	658,295,751	672,024,463	642,590,758
3. Statutory minimum capital and surplus requirement.....	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
4. Total capital and surplus (Page 3, Line 33).....	1,330,274,686	1,321,982,003	1,359,749,051	1,393,818,403	1,231,216,385
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	2,656,267,827	2,535,836,243	2,409,436,738	2,335,838,230	2,316,755,152
6. Total medical and hospital expenses (Line 18).....	2,305,850,113	2,212,112,391	2,073,932,641	1,958,702,143	1,975,926,529
7. Claims adjustment expenses (Line 20).....	92,200,746	80,305,713	82,762,682	83,495,460	101,374,843
8. Total administrative expenses (Line 21).....	311,879,974	287,600,076	294,844,970	226,371,109	204,705,128
9. Net underwriting gain (loss) (Line 24).....	(53,663,006)	(44,181,937)	(42,103,555)	67,269,518	34,748,652
10. Net investment gain (loss) (Line 27).....	47,645,297	50,740,427	67,560,197	117,623,387	103,291,189
11. Total other income (Lines 28 plus 29).....	(492,595)	(316,495)	(134,587)	(13,604,760)	(11,892,992)
12. Net income or (loss) (Line 32).....	(26,507,304)	(1,832,005)	15,373,055	154,139,145	121,206,849
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	(818,390)	9,876,191	(26,314,624)	108,237,152	122,527,046
Risk-Based Capital Analysis					
14. Total adjusted capital.....	1,330,274,686	1,321,982,003	1,359,749,051	1,393,818,403	1,231,216,385
15. Authorized control level risk-based capital.....	142,115,619	140,286,299	132,386,288	123,169,305	123,962,919
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	1,273,834	1,299,157	1,286,750	1,280,016	1,275,625
17. Total member months (Column 6, Line 7).....	15,216,983	15,535,137	15,356,046	15,320,938	15,294,526
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	86.8	87.2	86.1	83.9	85.3
20. Cost containment expenses.....	0.7	0.7	1.1	1.5	1.7
21. Other claims adjustment expenses.....	2.8	2.4	2.4	2.0	2.7
22. Total underwriting deductions (Line 23).....	102.0	101.7	101.7	97.1	98.5
23. Total underwriting gain (loss) (Line 24).....	(2.0)	(1.7)	(1.7)	2.9	1.5
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	239,887,885	216,690,565	275,522,701	255,919,977	254,910,293
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	227,765,081	223,935,080	270,586,203	277,072,969	256,003,003
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	414,739,140	403,191,015	405,977,457	402,202,930	379,045,277
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	414,739,140	403,191,015	405,977,457	402,202,930	379,045,277
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [☐] No [☐]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama.....	AL...N							0	
2.	Alaska.....	AK...N							0	
3.	Arizona.....	AZ...N							0	
4.	Arkansas.....	AR...N							0	
5.	California.....	CA...N							0	
6.	Colorado.....	CO...N							0	
7.	Connecticut.....	CT...N							0	
8.	Delaware.....	DE...N							0	
9.	District of Columbia.....	DC...N							0	
10.	Florida.....	FL...N							0	
11.	Georgia.....	GA...N							0	
12.	Hawaii.....	HI...N							0	
13.	Idaho.....	ID...N							0	
14.	Illinois.....	IL...N							0	
15.	Indiana.....	IN...N							0	
16.	Iowa.....	IA...L	2,389,885,185			237,127,921			2,627,013,106	
17.	Kansas.....	KS...N							0	
18.	Kentucky.....	KY...N							0	
19.	Louisiana.....	LA...N							0	
20.	Maine.....	ME...N							0	
21.	Maryland.....	MD...N							0	
22.	Massachusetts.....	MA...N							0	
23.	Michigan.....	MI...N							0	
24.	Minnesota.....	MN...N							0	
25.	Mississippi.....	MS...N							0	
26.	Missouri.....	MO...N							0	
27.	Montana.....	MT...N							0	
28.	Nebraska.....	NE...N							0	
29.	Nevada.....	NV...N							0	
30.	New Hampshire.....	NH...N							0	
31.	New Jersey.....	NJ...N							0	
32.	New Mexico.....	NM...N							0	
33.	New York.....	NY...N							0	
34.	North Carolina.....	NC...N							0	
35.	North Dakota.....	ND...N							0	
36.	Ohio.....	OH...N							0	
37.	Oklahoma.....	OK...N							0	
38.	Oregon.....	OR...N							0	
39.	Pennsylvania.....	PA...N							0	
40.	Rhode Island.....	RI...N							0	
41.	South Carolina.....	SC...N							0	
42.	South Dakota.....	SD...L	28,256,574						28,256,574	
43.	Tennessee.....	TN...N							0	
44.	Texas.....	TX...N							0	
45.	Utah.....	UT...N							0	
46.	Vermont.....	VT...N							0	
47.	Virginia.....	VA...N							0	
48.	Washington.....	WA...N							0	
49.	West Virginia.....	WV...N							0	
50.	Wisconsin.....	WI...N							0	
51.	Wyoming.....	WY...N							0	
52.	American Samoa.....	AS...N							0	
53.	Guam.....	GU...N							0	
54.	Puerto Rico.....	PR...N							0	
55.	U.S. Virgin Islands.....	VI...N							0	
56.	Northern Mariana Islands.....	MP...N							0	
57.	Canada.....	CAN...N							0	
58.	Aggregate Other alien.....	OT...XXX	0	0	0	0	0	0	0	0
59.	Subtotal.....	XXX	2,418,141,759	0	0	237,127,921	0	0	2,655,269,680	0
60.	Reporting entity contributions for Employee Benefit Plans.....	XXX							0	
61.	Total (Direct Business).....	(a)...2	2,418,141,759	0	0	237,127,921	0	0	2,655,269,680	0

DETAILS OF WRITE-INS

58001.							0	
58002.							0	
58003.							0	
58998. Summary of remaining write-ins for line 58.....	0	0	0	0	0	0	0	0
58999. Total (Lines 58001 through 58003 + 58998).....	0	0	0	0	0	0	0	0

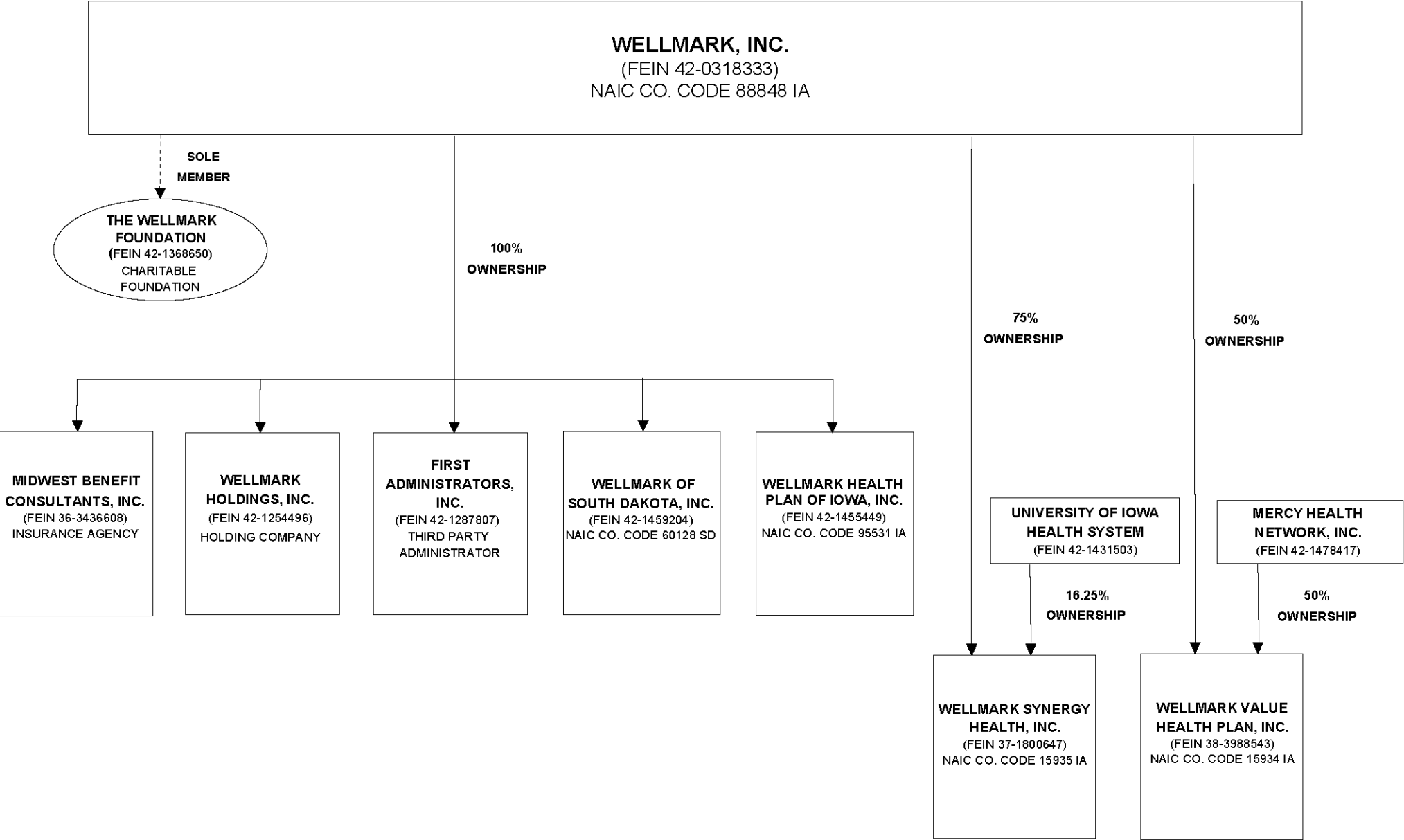
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

Accident and Health premiums are allocated according to the location of the group or individual purchaser at the point of issue.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



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